Methods To Prevent Fraud and Abuse Among Staff and Participants in the WIC Program

Volume I, Final Report

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Abstract

Methods used to detect and prevent fraud and abuse among staff or beneficiaries of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are identified and assessed in this report. It is the first of two related reports. This report makes available a set of concepts and tools that WIC managers can use to enhance their approaches to preventing and detecting fraud. The report summarizes the relevant WIC regulations; it describes basic controls or practices widely used by State and local agencies to detect and prevent fraud and abuse; and it highlights enhanced controls or practices that can further improve the program's integrity. The study lays out a framework for identifying vulnerabilities and a series of options for addressing these vulnerabilities. The features of the State's WIC management information system are a particularly important factor shaping the options for fraud prevention and detection. (The other report is titled *Methods To Prevent Fraud and Abuse Among Staff and Participants in the WIC Program: Volume II, Site Visits.*)

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Executive Summary

The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) contracted with the team of Applied Techno-Management Systems, Inc. (ATMS) and Abt Associates to identify and assess methods (i.e., controls or practices) that are used by various State or local agencies to detect and prevent fraud and abuse among staff or participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC Program provides supplemental foods, nutrition education, and referrals to health and social services to specific categories of low-income women, infants, and children determined to be at nutritional risk. The WIC Program is administered by State Agencies under the guidance of USDA's Food and Nutrition Service (FNS). (State agencies include the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Territories, and 33 Indian Tribal Organizations.)

This final report presents the results of the research and makes available a set of concepts and tools for WIC Program managers to assess and enhance their approaches to preventing and detecting fraud. The report summarizes the relevant WIC Program regulations; it describes basic controls or practices widely used by State and local agencies to detect and prevent WIC program fraud and abuse; and it highlights enhanced controls or practices that can further improve the WIC Program's integrity. Regulatory requirements for eligibility certification and the food delivery system represent current requirements, not requirements that were in effect at the time of the site visits. The site visits were conducted when food delivery system regulations were in interim form. This revised final report reflects the substantive comments and inputs on the draft report provided by reviewers from ERS, FNS and the Expert Panel of State WIC directors assembled for this study. However, the views expressed in this document are primarily those of its authors.

Available data did not support quantitative cost-benefit or cost-effectiveness analysis, so the researchers focused on identifying and qualitatively assessing currently used methods of preventing and detecting fraud. The controls (or practices) used to meet the WIC Program regulations or requirements are divided into two categories: "basic" and "enhanced." Basic controls meet program requirements generally with the minimum commitment of resources. For this reason, many of these controls are widespread. In some cases, WIC Program requirements mandate specific controls, although State agencies may have some latitude in the details of implementation. Many of these basic controls (or practices) have been found by a number of State agencies to be insufficient to provide adequate assurances of program integrity. "Enhanced" controls go beyond what is required by the regulations, either by State policy or by local agency choice (under the authority of program regulations and State policy). Enhanced controls generally require more resources than basic controls but offer real improvements in the prevention or detection of fraud, based on the experience of the agencies that have developed them.

This document draws on several sources. The study began with comprehensive reviews of recent General Accounting Office (GAO) and FNS surveys of the efforts to prevent and detect fraud and abuse among WIC State and local agencies. The study team also reviewed documents developed by FNS working groups on income documentation and dual participation. To gain

first-hand, in-depth understanding of leading-edge fraud control practices, the study team conducted site visits to 8 selected State WIC agencies, 14 local agencies, and 2 Indian Tribal Organizations (ITOs) operating as State agencies. In these site visits, the team reviewed key areas of WIC operations, observed and assessed basic and enhanced fraud control practices, learned from the experiences of managers and staff, and gathered their insights about further improvements. The site visits began in July 2000 and ended in October 2000.

One of the significant challenges for the research was the limited scope of available information on the magnitude of WIC fraud that may be prevented or detected through the use of current or potential controls. The estimated rate of detected fraud is quite low (around .14 percent of participants during FY1997-1998, according to the best available source, the GAO survey). The only currently available source on the actual rate of participant fraud is a 1988 estimate from FNS that 5.8 percent of participants were above the income threshold. Neither of these sources provides estimates of the actual incidence of other types of participant fraud, such as dual participation and trafficking WIC benefits for cash. In addition, both sources predate WIC policies and regulations adopted in 1999 and 2000 to strengthen program integrity requirements.

As a result of this uncertainty, there is an important element of policy choice in determining the appropriate level of resources to devote to WIC fraud prevention and detection. This choice must address the fundamental mandate to establish an adequate set of controls to maintain the integrity of the Program. Each State agency is obliged to strike a balance between two kinds of error: missing fraud because of devoting too few resources to the problem, and overestimating the likely level of fraud and spending more on fraud control than is justified by the actual and potential savings. This policy choice depends on the available resources, the competing demands for those resources, and the influence of WIC Program stakeholders. For example, State agencies may need to consider whether to allocate a set of available resources to fraud prevention, outreach, nutrition education, or other program improvements.

Bearing these considerations in mind, the researchers focused on identifying and qualitatively assessing methods of preventing and detecting fraud that are currently in use. The rationales for these controls were critically examined. Their advantages and disadvantages were assessed through discussions with State and local WIC staff who have direct and often lengthy experience with the controls, and with staff in other States that have chosen not to implement the controls.
The other principal challenge in the assessment of fraud controls was the difficulty of identifying their costs. WIC cost accounting procedures do not provide the level of detail necessary to estimate the costs of the controls, and an independent investigation of these costs was not within the scope of the present study.

As a result of such constraints on quantitative analysis, this report takes a qualitative approach to the assessment of costs and the comparison of these costs to the potential benefits of enhanced fraud controls. The first element of this approach is the distinction between "basic" and "enhanced" controls (or practices) to prevent and detect fraud. As described above, this distinction reflects the relationship between the strength of the controls and the resources required to implement and maintain them.
The enhanced controls identified in the study were determined by the researchers to be worthy of consideration for adoption by State agencies that do not already use them. This assessment is

based on several criteria. First, the enhanced controls have been used for an extended period by State agencies that are recognized as leaders by FNS and their peers. Second, the enhanced controls address known limitations of the basic controls, including documented cases of fraud and potentially serious areas of vulnerability. Third, the enhanced controls have proven operationally feasible and acceptable to stakeholders, including local staff and participants.

The continued use of the enhanced controls reflects the judgment of WIC Program managers that their actual and potential benefits justify the expenditure of resources and the non-monetary costs (e.g., participant burden) to maintain them. The policy and budget decisions of these managers incorporate operational feedback from State and local staff responsible for day-to-day program operations (including implementing and overseeing the fraud controls), as well as the Federal and State mandates for fraud control and other program objectives.

The selection of enhanced controls reflects both the choices of the State agencies visited for the study and the researchers' critical examination of the scope of the resources devoted to the enhanced controls, the underlying rationale for the controls, and the alternatives. For enhanced controls, the report identifies the nature of the resource requirements, the expected benefits for fraud prevention and detection, and the potential adverse impacts on program operations and participant burden.

The study results provide a set of tools for WIC program managers to assess and enhance their own approaches to preventing and detecting fraud. The study lays out a framework for identifying vulnerabilities and a series of options for addressing these vulnerabilities. The process described above produced a selective list of realistic options, with the recognition that the appropriateness of these options to a given State or local agency depends on many factors. The features of the State's WIC management information system (MIS) are a particularly important factor shaping the options for fraud prevention and detection. The information on the resources and infrastructure required and on the experience gained in using these options will help managers decide which options fit best into their own program environments.

In considering the potential use or adaptation of the enhanced controls identified in this report, each State agency needs to assess its own operational infrastructure, information systems, environment, and associated risks, current strategies, resources and mandates, so that it can determine the most appropriate enhancements. The report identifies important contextual factors for these assessments, such as information system requirements, WIC participant and local agency characteristics, and issues of operating scale. The report also differentiates between the enhancements that require major investment of staff time (or other resources) and those with more modest resource requirements. Where available, relevant data on the estimated incidence of fraud are referenced to help identify priority areas for action, albeit with the recognition of the limitations of these data and the importance of less quantifiable considerations of program integrity.

Not all of the enhanced controls are equally adaptable or practical for all State agencies. For example, controls associated with an online MIS operating in real-time are not readily adaptable by a State agency that is using daily or weekly data exchanges between local clinics and the State agency's database. With such issues in mind, the section below highlights options for State

agencies to choose from in seeking to enhance their controls beyond WIC requirements and basic controls.

The ensuing discussion highlights key vulnerabilities to participant and staff fraud, major WIC Program requirements governing fraud and abuse control, basic controls used currently by many State and ITO WIC agencies to meet these requirements, and enhanced controls that WIC agencies are encouraged to consider as ways to strengthen the Program's integrity.

Certification Controls
Many of the steps taken during the certification process provide opportunities for the prevention and detection of fraud and abuse. For this reason, it is essential that strong controls be in place. Although certification procedures are covered by WIC Program regulations, State agencies are provided with some discretion in how they meet these regulations.

The WIC certification process includes determinations of categorical eligibility and proof of identity, residency, income eligibility, and nutritional risk. Recent regulatory changes have strengthened the WIC Program requirements for the prevention and detection of fraud and abuse in the certification process. Key changes include new requirements for documentation of residency and income eligibility.

The vulnerabilities inherent in the certification process include fraud and abuse by participants and staff, acting alone or in collusion. The certification process is vulnerable to participants' falsifying application information, receiving benefits after eligibility has ended, or receiving benefits at more than one clinic for the same period of time. Staff can create phantom participants to generate food instruments or may knowingly certify an applicant who is not eligible for WIC.

Selected highlights of the relevant WIC Program requirements (7 CFR 246.7) are provided below. Following each is a brief discussion of the basic controls that most State agencies use to meet these requirements and the enhanced controls that some State agencies use to further strengthen these processes. (A more detailed discussion is in Chapter II.)

Requirement: Agencies must check a participant's proof of identity at each certification.
There is no basic control identified that most State agencies are using in addition to the requirement. However, as an enhanced control for this requirement, some agencies require that staff photocopy the document provided as proof of identity. Use of this enhanced control reduces the likelihood that staff will create phantom cases and aids in the investigation of potential staff fraud in relation to phantom cases. The amount of staff time required to do this depends on what documentation is copied and how the clinic is set up. The cost of employing this control varies depending on the availability of photocopy machines in clinics. Another consideration is the issue of the space the photocopy machine will occupy.

Requirement: If applicable, obtain documentation of adjunct income eligibility from Medicaid, TANF, or Food Stamps.
As a basic control, most State agencies screen for adjunct or automatic income eligibility instead of obtaining household income information, as this saves time if the applicant is automatically

income eligible. Because the applicant's current income eligibility status may have changed since the documentation was printed, some State agencies further strengthen this process through use of enhanced controls designed to verify the current eligibility status. These enhanced controls include: 1) calling a toll free number or using computerized access to the adjunct program's database to verify current eligibility; 2) developing a Memorandum of Agreement or Understanding that allows WIC staff to make queries of adjunct programs. These enhanced controls require additional time from WIC staff as well as the staff of other programs to perform verifications, and a one-time investment of State administrative or legal staff time to draft these documents and obtain the signature of authorized program representatives. Further, the adjunct program must have the technology available and may expect WIC to share the cost of providing this information. Verification of adjunct income eligibility is particularly important as it takes the place of obtaining direct documentation of household income.

Requirement: Documentation of household income must be provided by those not adjunctively income eligible except under specific circumstances; the type of documentation provided must either be recorded on the certification form or a copy of the documentation must be placed in the participant's file.
Most WIC agencies record income and household size information in the MIS and indicate the type of documentation on the certification form, as a basic control. As an enhanced control, some State agencies photocopy the income documentation provided by applicants. This procedure requires additional time, storage space, and access to a copier, but it aids in future inquiries and prevents staff from falsifying income data. Another enhanced control used by some State agencies is the review of income documentation by two different staff: clerical staff record documentation and perform calculations, and a Competent Professional Authority (CPA) reviews the calculations and makes the eligibility determination. This control requires the involvement of two staff instead of one, but the more time-consuming computations can be performed by clerical staff instead of CPAs.

Requirement: Determine household income and record it on a "clear and simple" form provided or approved by the State agency.
As a basic control, most State agencies ask the applicant to report the amount of their current household income. As an enhanced control, some State agencies train staff to probe for alternate or additional sources of income, and may use an income-screening clerk who is specially trained to perform this function. Use of probes requires additional staff time, and may slow clinic flow. Use of an income- screening clerk may pose a problem for smaller clinics, but ensures separation of duties.

Requirement: Applicants must provide proof of residency via official documentation or correspondence, except in specific cases. The type of documentation must either be recorded on the certification form or a copy of the documentation must be placed in the participant's file.
As an enhanced control, some State agencies send pre-formatted appointment letters to applicants who have scheduled appointments. These letters can be used to assist staff in validating an applicant's address or can raise suspicion if the letter is returned to the agency by the postal service because that person does not reside at that address. This control requires additional use of clerical staff time and the cost of paper and postage.

Requirements: State Agencies must take actions to identify suspected cases of dual participation within and between local agencies, with follow-up within 120 days of detection. State agencies must enter into agreements with bordering States, and with ITOs and agencies operating the Commodity Supplemental Food Program (CSFP) within their service area, for prevention and detection of dual participation.

As a basic control, most State agencies generate and review a dual participation report on a quarterly or monthly basis. An enhanced control is to increase this to a weekly or daily basis. Other enhanced controls include: 1) Real-time check for dual participation with mandatory override if match is found; 2) Computerized matches with other States, CSFP, and ITOs using standardized data formats; 3) Computerized check in real time or via frequent match where CSFP is present. Use of these enhanced controls minimizes the amount of time elapsed before dual participation is detected and investigated. Computerized matches with other programs are preferable because manual checks overlap, are time-consuming and error-prone. These controls require an investment of staff time, programming of the MIS, and in the case of checks across programs, the ability of the MIS to exchange data with the other program's MIS.

Requirement: Certification periods are to be established in accordance with specified time frames.

As a basic control, participants are terminated at the end of the certification period if they are not recertified. Some State agencies use, as an enhanced control, an MIS that automatically initiates termination and prevents further issuance of food instruments at the end of the certification period. Although use of this control requires programming of the MIS to perform this function, it reduces loss by preventing the receipt of benefits past the time of eligibility due to accidental or intentional oversight by staff.

Requirement: Obtain height or length and weight data at certification. Data are recorded on the certification form.

As a basic control, most State agencies record these data in the MIS. As an enhanced control, some State agencies have programmed the MIS to check for abnormal values. The MIS can also obtain or verify an infant's birth weight and length from birth records, if the WIC agency has authorized access and automated birth records. Use of these enhanced controls requires that the MIS be programmed to perform these functions.

Requirement: Bloodwork data (not required of infants less than 9 months of age) and anthropometric measurements may be accepted from an outside healthcare provider, but must reflect the participant's category, conform to anemia schedules for infants, and reflect the date taken. Anthropometric measurements must have been taken no more than 60 days prior to certification.

As a basic control, most State agencies address this requirement by keeping a copy of the data provided by the participant's healthcare provider. As an enhanced control, some State agencies require that the data include the healthcare provider's signature, address, phone number, and clinic name; those data provide the information needed to verify the authenticity of the information if deemed necessary. To further strengthen this process, the provider's name and address information are recorded in the MIS. This way, the MIS can identify high-volume and out-of-area sources of referral data for monitoring. These enhanced controls require an

investment of staff time to enter and analyze or verify data and require that the MIS be programmed to perform this function.

Requirement: State agencies must provide a list of approved foods and their quantities to local agencies. Competent Professional Authorities (CPAs) must assign food prescription based on standards for participant category and individual assessment of nutritional risk.
As a basic control, the CPA refers to the State Agency's food prescription standards and enters quantities of prescribed foods on the certification form or MIS. As an enhanced control, some State agencies program their MIS to define basic and modified packages and assign a default package based on the participant's category and risk codes. While use of these controls requires programming of the MIS to perform these functions, they also prevent staff from over-issuing food packages, and promote consistency and appropriate tailoring.

Benefit Issuance Controls
WIC benefits are generally issued to participants in the form of paper instruments that specify the items in a monthly food package. The benefit issuance process includes the handling, production, and distribution of food instruments. Two types of food instruments are typically used: WIC checks are processed like regular checks through the banking system; and WIC vouchers are sent directly to the State agency for redemption.

Major vulnerabilities in the benefit issuance process include: lost or stolen food instruments; receipt of excessive benefit; issuance of duplicate benefits; issuance to the wrong person through error or deliberate fraud; and alteration or counterfeiting.

Selected highlights of the relevant WIC Program requirements (7 CFR 246.12) are provided below. Following each is a brief discussion of the basic controls that most State agencies use to meet these requirements and the enhanced controls that some State agencies use to further strengthen these processes. (A more detailed discussion is in Chapter III.)

Requirement: Uniform procedures for issuing food instruments.
As a basic control, State agencies establish a policy on which staff can issue food instruments, as well as where and how they should be produced and issued. To further strengthen this basic control, some State agencies make use of the following enhanced controls to meet the above requirement:

1) Require separation of duties for receipt of stock, assignment of food package, printing and issuance, voids, and other issuance procedures;

2) State agency authorizes specific staff to issue benefits after verifying training.

Separation of duties can be difficult to maintain in small offices or during staff shortages. Allowing only certain staff to issue benefits requires that controls be programmed into the MIS and places limitations on the use of staff. State agencies need to weigh these concerns against the added security against staff fraud and abuse provided by these controls.

Requirements: List authorized foods on food instrument; issue only prescribed benefits to certified participants.
As basic controls, most State agencies use a computerized system to maintain certification data and print food instruments, and verify the participant's certification status before issuing benefits. Some State agencies make use of the following enhanced controls to meet the above requirements:

1) printing food instruments on demand at clinics using participant data from the MIS;

2) providing the capacity to flag participant records and place holds preventing issuance through the MIS.

On-demand printing requires an on-site computer, printer and food instrument stock, but eliminates the vulnerability associated with having preprinted instruments on hand in the clinic, and eliminates the need to void food instruments for no-shows. The capability to place holds on issuance requires programming of the MIS, on-site access, and additional time of authorized staff to remove the hold, but it provides agencies with the benefit of ensuring that eligibility problems or complaints are resolved before additional benefits are issued.

Requirement: Assure security of food instruments including locked storage.
As a basic control, most agencies respond to this requirement by using secure methods of shipment and storage of food instruments, and through use of a bill of lading to verify the receipt of shipments. As enhanced controls, some agencies meet the above requirement in several ways.

1) One way is through storage of stock/instruments in a locked cabinet or safe in a locked room. This provides double security, thereby reducing the risk of unauthorized access, but requires additional locks.

2) Electronic transmission of shipping information (enhanced control) prevents tampering with the bill of lading, but requires that the MIS be programmed with this capability.

3) Requiring activation of preprinted serial numbers before food instruments can be printed (enhanced control) prevents use of stock that is lost or stolen from shipments or inventory. This control also requires that the MIS be programmed with this capability.

4) Assignment of a limited range of serial numbers to each site provides control over the number of food instruments that each site can print, but requires that staff track what numbers are assigned to which agency.

Requirement: Unique serial number for each food instrument.
Most State agencies meet this requirement (basic control) through use of a preprinted serial number on food instrument stock. Staff must key in this serial number to the MIS before printing food instruments.

Some State agencies use the following enhanced controls to strengthen WIC Program integrity:

1) printing a duplicate serial number (as identified in the MIS) on each food instrument;

2) scanning the serial number on the food instrument to synchronize with the MIS;

3) using unnumbered blank stock and printing all information including the serial number at the time of issuance.

All of these options reduce the risk of a mismatch between the actual serial number and the record in the MIS. However, scanning requires the use of software and a hand-held scanner at the issuance site. While printing the serial number on blank checks eliminates the need for tracking stock at the item level, it requires the use of special ink, a laser printer, and additional MIS programming.

Requirements: Verify identity before issuance, obtain signature of participant, parent, or proxy indicating receipt of benefits.
As a basic control, most WIC agencies issue each participating family a WIC ID folder, which the participant or parent/guardian signs. To enhance the security of the ID, some State agencies issue each WIC family a serialized, tamper-resistant ID card, while others issue a tamper-resistant WIC ID to each adult participant or parent/guardian and other individuals or proxies who are authorized to apply for and receive services on behalf of the participant. Either of these enhanced controls helps prevent use of unauthorized or counterfeit IDs; both require additional resources.

The basic procedure for documenting receipt of food instruments is a signature log with the serial numbers of food instruments. As enhanced controls, some State agencies require the participant to sign each food instrument, and the local office retains a copy of each food instrument as the receipt. This method provides clearer proof of receipt for each instrument. For issuance of preprinted or manual vouchers, an enhanced control is the use of a master log plus a receipt form for each participant record, so that documentation is available at the clinic level when the master record is not available. Both of these enhanced controls consume more staff time and paper than the basic controls.

Requirements: Account for disposition of all food instruments through perpetual inventory, monthly physical inventory of food instruments or stock, and reconciliation.

As a basic control, most State agencies record voided food instruments on the signature log, maintain manual inventory records for bulk food instrument stock, maintain issuance records in the MIS, perform monthly reconciliations, and report and investigate discrepancies. Some agencies make use of one or more of the following enhanced controls to meet the above requirement.

1) Daily reporting and reconciliation of issuances, voids, and inventory at issuance sites ensures timely detection of errors or theft, but requires additional effort and the automation of these activities.

2) Weekly reports on participants who do not pick up food instruments ensure timely identification of no-shows for follow-up or investigation, but require additional effort and the automation of this activity.

3) End-of-month site-level and State-level summary reports of issuances, voids, and changes in inventory enable State officials to monitor patterns of activity and indicators of potential fraud, but require additional time to review and investigate discrepancies.

Transaction and Redemption Controls
WIC participants typically obtain their supplemental foods by transacting their food instruments at an authorized vendor. The vendor records the purchase price on the food instruments and submits them for redemption to a bank or the WIC agency. Because there is no direct involvement of WIC staff in the process of transacting food instruments for WIC-approved foods, this process is particularly vulnerable to fraud and abuse.

Some of the controls used to prevent fraud and abuse in the transaction and redemption processes focus primarily on participants and staff, while other controls focus on vendors. The assessment for this report was mainly concerned with participant and staff fraud, but the vendor controls also were reviewed because of the potential roles of vendors in preventing or facilitating participant fraud.

WIC food delivery regulations establish a number of requirements for agencies: education of participants on proper use of food instruments, pricing of food packages, identification of overcharging, vendor identification on food instruments, compliance buys, and entering the purchase price on food instruments. Additional regulations related to transacting and redeeming food instruments pertain to vendors: authorization to transact and redeem food instruments, transacting for WIC-approved foods only, pricing limits, vendor training, and shelf price records.

Minor violations in this area include participants' transacting food instruments out of the specified period or for the wrong size or brand of WIC food. Major types of participant fraud include: transaction of food instruments by an unauthorized person, exchanging food instruments or supplemental food items for cash, and exchanging food instruments for alcohol or tobacco. The major types of fraud and abuse entail gross, intentional misuse of food instruments, resulting in the diversion of benefits to uses other than the purchase of supplemental food. Major vendor violations, other than the involvement in participant fraud and abuse, include overcharging, charging for items not received by participants, and altering the purchase price on food

instruments after the sale. The principal risk of WIC staff involvement in transaction and redemption fraud is that staff may transact unclaimed, unauthorized, or voided food instruments with the cooperation or collusion of a vendor, but this risk is mainly addressed through issuance controls.

Selected highlights of the relevant WIC Program requirements (7 CFR 246.12) are provided below. Following each is a brief discussion of the basic controls that most State agencies use to meet these requirements and the enhanced controls that some State agencies use to further strengthen these processes. (For more detail, see Chapter IV.)

Requirement: State agencies must educate participants about the proper use of food instruments.
As a basic control, most State agencies respond to this requirement by providing participants with a list of authorized foods and instructions for transacting food instruments. To further strengthen the basic controls, some State agencies make use of one or more of the following enhanced controls to meet this requirement:

1) brochure with pictures of authorized foods;
2) instructional video or live instruction;
3) use of samples of authorized foods in instruction;
4) use of a quiz to assess participants' level of understanding.

Use of these enhanced controls entails additional cost, but the agency can reduce the amount of staff time required through use of group instruction. Use of a quiz to ascertain participants' level of understanding reduces the amount of time needed for counseling of participants who improperly transact food instruments.

Requirement: Participants must sign food instruments at the time of transaction as proof of correct charge and authorized transaction.
As a basic control for ensuring transaction by an authorized person, most State agencies provide a WIC ID folder that must be signed by the participant and any authorized representatives. Some State agencies make use of the following enhanced controls to meet this requirement:

1) provide each authorized shopper with a WIC ID card bearing his or her signature;

2) participant or authorized representative must sign food instruments at issuance as well as transaction.

Use of these enhanced controls may require a slight increase in cost and staff time, but can provide a higher level of security for transaction of food instruments.

Requirement: State agencies establish procedures designed to control participant violations.
As a basic control for controlling participant violations, most State agencies establish a process of some sort for the reporting of fraud and abuse. Some State agencies make use of the following enhanced controls to meet this requirement:

1) provide a toll free number to register complaints;
2) provide a complaint form for use by staff receiving reports of fraud.

Use of these enhanced controls provides staff, participants, and vendors with a vehicle for reporting fraudulent activity or expressing concerns about fraud and abuse.

Key vendor integrity practices include: review of vendor qualifications; vendor training on proper procedures and fraud prevention; setting a maximum value for each food instrument based on current price information; monitoring of vendor redemption patterns and the types of errors on food instruments submitted for redemption; identification of high-risk vendors through statistical analysis and other tools; and compliance buys and inventory audits to determine whether vendors are violating program rules and to provide evidence for vendor sanctions. Chapter IV provides a more detailed discussion of these requirements and controls, and how they affect program integrity in reference to the prevention and detection of participant and staff fraud and abuse.

Participant Investigation and Sanctioning Controls

When a case of possible fraud or abuse by a participant is identified, WIC staff investigate to determine whether a violation has occurred and what sanction or other action is appropriate in response. Each State agency must balance the need to deter fraud and abuse with the cost and likely benefits of attempting to recover improperly obtained benefits from participants, in addition to focusing on the goal of meeting participants' nutritional needs.

State agencies use different types of staff at the State and local levels for this function. Some State agencies have staff who are solely responsible for investigation of fraud and abuse. State agencies may work with law enforcement officials on participant fraud cases.

Cases of participant fraud and abuse may have different levels of severity. Minor abuses include buying the wrong size or brand of food or verbal abuse of vendors. Major types of fraud and abuse include misreporting or concealing income, intentional dual participation, and exchanging food instruments for cash, (trafficking). The key difference is that major violations entail the fraudulent receipt of benefits or the diversion of benefits from the purchase of supplemental food items to other uses. The most serious violations, which warrant criminal investigations and prosecution, are blatant and extensive acts of fraud or abuse perpetrated by participants, sometimes in collusion with staff or vendors. The sanctions applied in each of these categories are designed to be consistent with the severity and intent of the fraud and abuse that may have occurred.

State agencies are provided significant latitude in how they investigate. A number of WIC regulations, however, govern the sanctioning process. Within the parameters of these regulations, State agencies have discretion to establish sanctions for participant fraud and abuse. The severity of such sanctions depends on how the agency balances program integrity with the nutritional mission of the program.

Selected highlights of the relevant WIC requirements are provided below (7 CRF 246, including: 246.7, 246.9, 246.12 and 246.23). Following each is a brief discussion of the basic controls that most State agencies use to meet these requirements and the enhanced controls that some State agencies use to further strengthen these processes. (For more details, see Chapter V.)

Requirement: State agencies must establish sanctions for participant abuse of the WIC program.
As a basic control, complaints and discrepancies identified by reports receive follow-up by WIC staff. Some State agencies make use of the following enhanced controls to meet this requirement:

1) use of specialized WIC or non-WIC staff trained in investigating fraud and abuse;
2) analysis of MIS data to identify patterns of suspicious behavior.

Use of specialized staff entails the cost of hiring staff with appropriate backgrounds or diversion of the time of WIC staff with appropriate backgrounds to perform investigations. MIS analysis entails both additional staff time and the cost of programming the MIS to perform appropriate analysis. The benefit to the WIC Program is that these investments increase the efficiency and effectiveness of investigations.

Requirement: Mandatory 1-year disqualification for claims totaling $100 or more, claims from intentional dual participation, or any second or subsequent claim. Mandatory written notice of disqualification and right of appeal.
There are no basic controls identified beyond what is required by WIC Program regulations. Some State agencies send disqualification letters by certified mail or hand-delivery as an enhanced control. This practice requires a minimal increase of cost for postage or investment of staff time if delivering in person, but provides proof that the participant actually received the letter. As another enhanced control, some State agencies provide the option of the use of a proxy to obtain benefits for an infant or child when the parent has committed fraud and abuse. Use of this enhanced control prevents the loss of benefits to infants and children who are innocent of the offense. It requires the same amount of staff time, and represents no additional cost to the WIC Program.

Requirement: State agencies must initiate a claim for any benefits improperly obtained or disposed of by participants. Agencies must inform the participant in writing of the reasons for the claim, the value of the benefits to be repaid, and of their right to a fair hearing.
There are no basic controls identified beyond what is required by WIC Program regulations. Automation of claims requests and collections procedures, as well as use of collection agencies when feasible, are enhanced controls used by some State agencies. Automation reduces labor costs, promotes consistency and facilitates accountability, but requires the programming of the MIS to perform this function. For the use of a collection agency, the amount involved must be sufficient to make its use worthwhile. For both enhanced controls, the cost to the WIC Program may be funded from the amount recovered.

Requirement: Referral of instances of criminal fraud to police or prosecutors where appropriate.
There are no basic controls identified beyond what is required by WIC Program regulations. As an enhanced control, some State agencies use specialized WIC agency or law enforcement staff

to conduct criminal fraud investigations. This approach requires additional use of staff time for investigations, or hiring of specialized staff if the needs of the State agency require such action. Justification for the additional expense lies in the fact that prosecution of criminal cases requires more varied methods and a higher standard of documentation.

Controls for Oversight of Employees and Local Agencies
State and local WIC agencies use a variety of oversight mechanisms to prevent and detect fraud by participants and employees, in addition to the controls integral to operational procedures for certification, issuance, and transaction. These include: hiring and training of employees, internal quality assurance procedures at the local level, management evaluations and reviews by State WIC personnel, and third-party audits. Oversight by local and State officials is particularly important to the prevention and detection of employee fraud, in part because the controls built into operational processes tend to focus more on participant fraud. Furthermore, employees must often be given a certain degree of autonomy to maintain efficient operations, so the potential for abusing that autonomy is present. Current widespread practices by the WIC agencies in this area include: conflict-of-interest policies regarding WIC employees as participants, review of employee activities by local supervisors, reporting of suspected employee fraud to the State agency, and separation of duties between certification and issuance.

The nature of oversight depends on the organizational structures and relationships among the State agency, the local agencies, and the clinics delivering WIC benefits and services. An additional factor shaping the context for oversight is what other services local WIC agencies offer.

Certain types of fraud initiated by a participant also could involve the collusion of employees. Employee oversight therefore needs to prevent such collusion, through preventive measures such as screening and training, and to detect any collusion that does occur through measures such as observation and record reviews.

Major types of fraud and abuse that may be independently perpetrated by employees include: creation of phantom participants to obtain benefits, theft of blank food instruments either from the agency's inventory or from food instruments intended for specific participants, counterfeiting or alteration of food instruments, theft of other WIC Program property, use of program funds to purchase goods or services for personal use, and deliberate misrepresentation on financial or participation reports.

WIC Program regulations establish requirements for management and oversight in a number of areas, including: procedure manuals for local operations; periodic review of local agency qualifications; mandatory provisions of agreements with local agencies regarding staffing, non-discrimination, accounting, and certification criteria; financial management systems; allowable costs; management evaluation systems; and independent audits.
Selected highlights of the relevant WIC Program requirements are provided below (see 7 CFR 246.19 and 7 CRF 246.20). Following each is a brief discussion of the basic controls that most State agencies use to meet these requirements and the enhanced controls that some agencies use to further strengthen these processes. (For more detail see Chapter VI.)

Requirement: Ensure that no conflict of interest exists between State or local agency staff and vendors under their jurisdiction.
As a basic control, most State agencies respond to this requirement by requiring vendors to disclose any conflict of interest on their applications for WIC authorization. An enhanced control is to require agency employees to disclose any financial relationship with a WIC vendor.

Another basic control in the area of conflict of interest is the widespread policy preventing employees from certifying or issuing benefits to themselves or their children as participants. Some agencies use the following enhanced controls in this area:

1) extend this policy to include the family of employees;

2) require employees who participate in WIC to be certified by a supervisor or local director;

3) limit access to files of employee participants;

4) require enhanced income documentation, such as monthly reporting, for employee participants.

Use of these enhanced controls is beneficial to agencies, as they prevent collusion, protect privacy, promote a high standard of integrity, and prevent manipulation of records. However, the MIS restrictions require programming.

At the local agency level, employee training, supervision, and monitoring are important basic controls to ensure that employees meet program requirements, including those intended to prevent and detect fraud. In the area of employee training, some State agencies enhance the process by developing training materials, organizing conferences for local staff, or directly providing training at local agency sites or centralized training facilities. These enhanced controls promote fraud control as a priority and enhance the consistency and depth of training, but as the State Agency's role increases, so does the cost. Within local agencies, supervision and monitoring are enhanced by approaches to supervision that increase the focus on potential sources of fraud and by systematic, periodic reviews of participant records, including summary and discussion of patterns found in these reviews. Some enhancements in supervision require only procedural changes, while others require commitment of additional supervisory time and staff time to quality control.

Requirement: The State agency must establish a management evaluation system.
As a basic control, most State agencies review mandatory reports on certification, issuance, redemption and financial status. As an enhanced control, some State agencies use an ad hoc capability to analyze suspicious or problematic patterns in the MIS data, or define and use regular fraud indicator reports. Ad hoc analysis may reveal more complex patterns of fraud but requires the capability to query MIS data and staff time to analyze the results. Regular fraud indicator reports are a more efficient and reliable way to monitor known fraud indicators, but require that the MIS be programmed with this capability and that staff have the time to review and follow up on the reports.

Requirement: Biennial management evaluation review of local agencies, including 20 percent sample of clinics.
As a basic control, most State agencies conduct the minimum required number of reviews of management, certification, nutrition education, participant services, civil rights compliance, accountability, financial management systems, and food delivery. Some agencies step this up through use of enhanced controls such as:

1) annual reviews of local agencies or local agency self-reviews in years between State agency reviews;

2) participant record reviews of a statistically valid sample with standardized protocol.

An annual cycle enhances attention to compliance and identifies problems more quickly, but annual reviews by the State agency double the effort for this function. Systematic reviews of participants' records ensure reliable, defensible, and objective results, but require the use of a sampling procedures and the tabulation of results.

Requirement: Process to receive and investigate complaints of employee fraud.
As a basic control, most State agencies investigate evidence of employee fraud reported by complaint forms submitted to the State or local director, or through use of a toll-free number at the State agency. Some State agencies make use of various enhanced controls.

1) Providing a secure channel for complaints against employees assures the confidentiality and integrity of the complaint process, but may require an extra telephone line.

2) Use of specialized staff from the WIC integrity unit or internal auditors to conduct employee investigations, assures the objectivity and capability needed to gather evidence, but requires the investment in specialized staff.

3) Use of a data warehouse to identify or confirm suspicious activity is less visible and more efficient than a manual review of files, but may require substantial MIS development and data storage.

4) Provide feedback to managers and staff on the lessons learned from successful investigations of employee fraud. Existing newsletters or bulletins can be used to provide this feedback at minimal cost.

Chapter I

Introduction and Study Background

The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) contracted with the team of Applied Techno-Management Systems, Inc. (ATMS) and Abt Associates to identify and assess methods (i.e., controls or practices) that are used by various State or local agencies to detect and prevent fraud and abuse among staff or participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC Program provides supplemental foods, nutrition education, and referrals to health and social services to specific categories of low-income women, infants, and children determined to be at nutritional risk. The WIC Program is administered by State agencies under the guidance of the USDA Food and Nutrition Service (FNS). (The State agencies include the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Territories, and 33 Indian Tribal Organizations.)

This final report presents the results of the research and makes available a set of concepts and tools for WIC managers to assess for enhancing their own approaches to preventing and detecting fraud. The report summarizes the relevant WIC regulations; it describes basic controls or practices widely used by State and local agencies to detect and prevent fraud and abuse; and it highlights enhanced controls or practices that can further improve the Program's integrity. This final report reflects the substantive comments and inputs provided by reviewers from ERS, FNS, and the Expert Panel of State WIC directors assembled for this study. However, the views expressed in this document are primarily those of its authors.

Key items covered in the remainder of this chapter include: study background, overview of the WIC Program; study approach, WIC Program fraud and abuse levels and related issues, summary of study tasks, and the organization of the final report document.

1.1 Background

Since 1974, the WIC Program has been addressing the need to provide supplemental foods, nutrition education, and referrals to health care and other social services programs to low-income women (pregnant, breastfeeding, and postpartum), infants (up to age 1) and children (up to age 5). WIC participation is based upon eligibility criteria including income, categorical eligibility, residency, and nutritional risk. The U.S. Department of Agriculture (USDA) administers the WIC Program through State WIC agencies, which include the 50 States, the District of Columbia, U.S. territories, and 33 Indian Tribal Organizations (ITOs).

Over the last 27 years, the WIC Program has grown significantly—from $10 million in 1974 to about $4 billion in 2000, when it served about 7.2 million persons per month. Along with this dramatic growth in expenditures and number of persons served, there has been a growing concern in the U.S. Congress, the USDA, and the State agencies over the potential for fraud and abuse in the WIC Program by vendors, participants, or Program staff.

In this connection, when Congress passed the William F. Goodling Child Nutrition Reauthorization Act of 1998, it strengthened requirements for documentation of income, identity, and residency in the WIC certification process. The Goodling Act also required applicants to be physically present for WIC certification, and it mandated that State agencies develop systems for preventing individuals from participating at more than one site at a time. To implement these requirements, USDA issued a Final Policy Memorandum (#99-4) for strengthening integrity in the WIC certification process on February 24, 1999. There has been a series of subsequent regulatory changes to strengthen requirements concerning WIC accountability, efficiency, and integrity. These changes include an interim rule on certification integrity (published January 21, 2000), a final rule on certification integrity (published December 11, 2000), and a final rule on food delivery (published December 29, 2000).

The interviews conducted for the purposes of this report took place from July through October of 2000, prior to the publication of the final rules on certification integrity and food delivery. Although these regulations were not in effect at the time the site visits were conducted, they have been included in the report to ensure that the representation of program requirements is current. The fact that the regulations changed (generally to strengthen integrity requirements) did not alter the lessons learned from this study, except that some practices initially identified as enhanced controls later became program requirements.

As part of the ongoing government efforts to review and improve WIC integrity, the U.S. General Accounting Office (GAO) conducted surveys of WIC State agencies and WIC local agencies in November 1998. The surveys collected data from all 88 State WIC agencies (including territories and Indian Tribal Organizations) and a sample of 500 local WIC agencies. The GAO survey was conducted to review measures to detect and prevent fraud and abuse in the WIC Program among vendors, staff, and participants. The GAO survey report, titled "Food Assistance - Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened," was issued in August 1999. This report provided indicators of tools and methods used by various State and local WIC agencies to identify and prevent fraud and abuse. As indicated above, regulatory changes to strengthen program integrity occurred in 2000, so the GAO results reflect the program environment before these changes.

Table 1–1 provides an estimated number of serious and less serious types of fraud and abuse committed by participants during the GAO survey period of October 1996 through September 1998. These estimates are based on the number of incidents of detected fraud reported by the local agencies in GAO's sample. However, as the GAO study concluded, the information provided by the local agencies does not present a complete picture of fraud and abuse in the WIC Program, partly because agencies differ in the extent of data maintained on participant fraud. Furthermore, the level of detection efforts differs among both State and local agencies, so some agencies presumably detect a greater proportion of fraud than others. Even the agencies that devote the most resources to this challenge probably fail to detect some portion of the actual number of violations.

As indicated in the table, the serious types of fraud and abuse were committed by an estimated 7,074 participants (or 0.14 percent of the average monthly participation in fiscal year 1998),

compared with an estimated 79,271 participants committing less serious types of fraud and abuse (or about 1.64 percent). On the other hand, the GAO survey found that only 4 percent of the local agencies identified any documented cases of employee fraud and abuse; these cases involved 48 individual staffers nationwide for the 2-year period.

Table 1–1—Estimated number of participants having committed fraud and abuse (October 1996 through September 1998)

Type of fraud and abuse	Estimated no. of participants
Serious fraud and abuse	
Received multiple benefits	3,566
Exchanged food instruments for non-approved or non-food items	2,049
Misrepresented income	
Misrepresented other eligibility factors	886
Exchanged food instruments for cash	561
Gave away food instruments or food	233
. Claimed fictitious dependents	218
Total participants with one or more violations	122
	7,074
Less serious fraud and abuse	
Redeemed food instruments outside of authorized dates	59,810
Selected incorrect brands or quantities	25,209
Verbally abusive	8,625
Total participants with one or more violations	79,271

Note: Some participants were identified as having committed more than one type of fraud or abuse.
Source: GAO's analysis of local agency survey data.

GAO's report provided two specific recommendations for improvements to the control of fraud and abuse by WIC participants and staff. First, GAO encouraged USDA, the State agencies, and the National Association of WIC Directors (NAWD) to develop a "cost-effective," ongoing system for gathering the kinds of data on the incidence of fraud that GAO's special survey collected. Second, GAO recommended that all State WIC agencies should have employee conflict-of-interest policies and procedures. (WIC regulations now require all State agencies to ensure that conflicts of interest do not exist between vendors and the State and local agencies overseeing them.)

In addition to the GAO survey data, USDA's Food and Nutrition Service (FNS) has developed several databases or documents relevant to this study. A "Guide for Preventing and Detecting Employee Abuse" was developed in June 1998. Also, FNS recently conducted a "WIC Program Dual Participation Survey." Further, an existing "National State WIC Agency Program Integrity Profile" (WICAPIP) developed by FNS during the past several years identifies State agencies that use methods to maintain staff and participant integrity in their WIC Programs. Other relevant documents developed by the FNS workgroups include: "Best Practices: A Guide to Preventing and Resolving Dual Participation in the WIC Program," developed by Dual

Participation Program Integrity Workgroup, Southwest Region, August 1999; and "Best Practices Guide to WIC Income Documentation," published in March 1998.

There are two kinds of breaches of WIC Program integrity by participants and staff: expenditures of benefit funds beyond the amount needed to provide authorized benefits to eligible persons, and diversion of benefits for unauthorized uses, either by eligible persons or by others. Participant fraud or abuse is an intentional activity or action taken by WIC participants to obtain benefits to which they are not entitled or to misuse the benefits they receive. Examples of such actions include: misrepresenting facts that determine eligibility; exchanging food vouchers for nonapproved items; selling or giving away food obtained with vouchers; participating at more than one local WIC agency simultaneously, thereby receiving multiple benefits; or verbally abusing WIC vendors and/or WIC employees. Staff fraud or abuse on the other hand, is an intentional or deliberate staff action that aids or abets the participants in fraudulent actions and/or directly and illegitimately benefits the Program staff by violating program regulations, policies, or procedures. Examples of such actions include misappropriating food instruments, altering food instruments, entering false or misleading information in case records, or creating fictitious or nonexistent participant files.

1.2 Overview of the WIC Program

The WIC Program is designed to improve the health of low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, infants, and children at nutritional risk. The Program provides States with annual cash grants for food, nutritional services, and administration. The State agencies distribute funds to local agencies. More than 2000 local agencies and 10,000 clinic sites certify the applicants, provide food instruments, offer nutrition education, and make referrals to health care providers and other services. The WIC Program operates in all 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and 33 Indian Tribal Organizations.

WIC is not an entitlement program, and funding is primarily from annual discretionary appropriations by Congress for food purchases and for nutritional services and administration (NSA). Some States supplement the Federal grants with their own funds. In fiscal year 2000, WIC served an average 7.2 million persons per month, of whom 50 percent were children, 26 percent infants, and 24 percent women. An estimated 47 percent of all babies born in the United States are served by WIC (based on data from 1998). Since its inception in 1974, funding for WIC has expanded from $10.4 million to about $4.02 billion in 2000, including $2.96 billion for food costs and $1.06 billion for NSA costs.

The WIC Program offers three types of benefits to participants: supplemental food, nutrition education, and referrals to health and other social services. WIC participants are certified to receive benefits for periods of 6-12months. Most WIC participants receive monthly food instruments that allow them to purchase, at authorized vendors, a food package designed to supplement their diet. The food instruments, which are issued at 1-, 2-, or 3-month intervals, are not denominated in dollar amounts but rather in quantities of specific foods. The foods specified are high in protein, calcium, iron, and vitamins A and C, nutrients frequently lacking in the diets

of WIC's target population. The food package cost varies by State and by nutrient needs of the recipients. The U.S. average monthly food package cost for all participants was $33.00 in 2000 (reflecting the net cost after manufacturer rebates for infant formula and other foods).

1.3 Study Approach

In furtherance of efforts to control Program fraud and abuse, USDA's Economic Research Service (ERS) contracted with the team of ATMS, Inc., and Abt Associates to identify and assess methods used by various State or local agencies to detect and prevent fraud and abuse among WIC staff and participants. The study was intended to identify enhanced controls to prevent staff and participant fraud and to make information on these controls available to all State and local agencies for use in managing their WIC Programs. This study specifically focuses on Program staff and participant fraud/abuse. Vendor fraud and abuse was not part of the mandate for the study.

In brief, our approach to addressing these objectives and meeting ERS requirements consisted of the following components:

- Review and integration of data from existing GAO and FNS surveys of State and local WIC agencies into a systematic description of current fraud control strategies.

- Site visits to 8 State agencies, 2 Indian Tribal Organizations (ITOs), and 14 local agencies. These agencies were selected to represent relatively innovative or well-regarded fraud control systems. The project team conducted reviews of procedures, computerized applications and databases, and non-computerized records; and the team collected data on the use, effectiveness, and results of these controls. The focus during the site visits was to characterize the principal operational and monitoring activities currently used by these agencies to prevent and detect fraud by participants and staff.

- Identification of existing methods and descriptive analysis of the patterns in the use of controls against participant and staff fraud among State and local agencies.

- A qualitative assessment of the effectiveness, resource requirements, and operational feasibility of current and proposed controls.

- Synthesis of the data and assessments to develop a compendium of strategies, approaches, and tools or techniques currently in use and that offer practical means to enhance the prevention and detection of WIC fraud and abuse. The compendium, as presented in this report, can be used by State and local agencies to support their efforts for fraud and abuse detection and prevention.

In this report, we document the cumulative results of the study conducted for ERS. We believe the enhanced controls to be worthy of consideration by State agencies to strengthen their methods of preventing and detecting fraud and abuse among WIC Program participants and staff. These enhanced controls were identified through the review of current practices and the site

visits. Our assessment of the feasibility and effectiveness of these practices is based primarily on the experiences of the State and local agencies we visited, as reflected by the professional judgments and opinions of key Program administrators and managers. As discussed later in this chapter, the available data were inadequate to support valid quantitative analysis of the costs and benefits of fraud controls, so we assessed them in a qualitative framework.

The authors recognize that the practicality and the extent of use of the enhanced controls depend on a number of key factors, such as the availability of State and local agency resources, the operating environment in the agencies, and the existence of necessary support systems and infrastructure to implement them. The features of the State's WIC management information system (MIS) constitute a particularly important factor shaping the options for fraud prevention and detection. Although the focus of this report was on the costs and benefits to the WIC Program of implementing certain controls, the effects of the implementation of stronger controls on participants were a potential concern by the staff members we interviewed.

1.4 Summary of Study Tasks

A number of tasks performed by the ATMS/Abt Associates team for this study are briefly summarized in the following paragraphs.

A. Establishment of a Panel of Experts
We established an expert panel, in coordination with ERS, FNS, and NAWD management, consisting of knowledgeable State and ITO WIC Directors and FNS staff, to provide their insights on fraud and abuse detection and prevention efforts.

B. Selection of State, Local, and ITO WIC Agencies for Site Visits
We developed criteria and selected State, local, and ITO WIC agencies for site visits to collect data. Relevant data from prior GAO and FNS surveys were used to select relatively strong State and ITO WIC agencies, to ensure that the selected agencies would collectively provide the requisite information. The scope of the GAO and FNS data also helped define the data collection requirements during the site visits.

We selected eight State and two ITO agencies, in coordination with ERS as well as the FNS Headquarters and Regional Offices, for site visits and associated data collection. As discussed in detail in the Site Selection Report, the selection of these State and ITO agencies was based on the following considerations:

- Representative State size (large, medium, small)
- Adequate geographical and regional representation
- Relevant laws and policies
- Availability of data related to fraud and abuse
- Existence of controls to mitigate participant and staff fraud and abuse
- Enforcement actions and impacts

- Management assessment of the effectiveness and feasibility of controls
- Range/degree of challenges faced by the agency
- Interest and willingness to participate in the study

The agencies selected for site visits were: Arizona, California, Choctaw Nation ITO, Illinois, Kansas, Massachusetts, Navajo Nation ITO, Tennessee, Texas, and Virginia.

The participating States and ITO agencies have numerous effective strategies for fighting. They are a diverse group in terms of their size, location, and sophistication of MIS development. This diversity allowed the study team to explore the better practices, including how agencies deal with resource limitations.

The selection of the local agencies within each State was coordinated over a period of time with each State WIC agency using criteria similar to those used for State selection. Two local agencies were selected for site visits and data collection in each of the States with the exception of Tennessee and Arizona (where a single local agency was selected). Thus, a total of 14 local agencies were visited to review and study WIC Program implementation and operations. The ITO visits included both central administration and local clinic operations.

In the Site Selection Report, we also reviewed the GAO and FNS survey data to identify the data we hoped to acquire during the site visits. The GAO and FNS surveys provided a broad nationwide profile of the current practices to prevent and detect fraud/abuse by WIC participants and staff.

The GAO survey was conducted in response to concerns about the level of fraud and abuse in the WIC Program, coupled with the need to update the studies upon which USDA had relied for data on fraud and abuse. This study is a good source of information concerning the types of fraud and abuse that are occurring, the basic preventive measures being taken by agencies, and the sanctions employed. The study provides statistical information about those tems, but provides few details of how the controls operate. Moreover, the data were collected in 1998, before the implementation of the new WIC regulations concerning documentation of income eligibility, identity, residence, physical presence, and prevention of dual participation.

The National State Agency Program Integrity Profile, which was compiled by FNS in 1998, contains statistical information about the practices and policies of 77 State agencies and ITOs. This includes basic information on the presence of policies geared toward preventing fraud and abuse by vendors, staff, and participants. This information is largely quantitative in nature and offers no interpretation of the numbers. The WIC Program Dual Participation Survey Summary, conducted by FNS in 1998, provides statistical information about methods employed by State agencies to prevent and identify fraud and abuse, as well as types of actions with which agencies respond when fraud and abuse are identified. FNS also produced a document presenting model policies and procedures to prevent, detect, and resolve dual participation. The Site Selection Report is provided in Part II, Appendix A of this Report.

C. Data Collection and Analysis

Efforts under this task included three components: completion of the review of the FNS and GAO data, site visits to the selected State and local agencies, and analysis and summarization of the site visit data. The site visits for data collection efforts were conducted during the period July 2000 through October 2000. The primary goal of these visits was to identify, review, and document effective current practices for WIC Program monitoring activities and controls to detect and prevent fraud/abuse by Program participants and staff.

In our data collection and analysis efforts, we focused on the vulnerabilities to fraud/abuse in the certification, issuance, and redemption processes by participants and Program staff. The data collection and analysis work under this task focused on the following major areas and questions:

- What documentation of income or adjunct income eligibility do local agencies obtain?

- How do local agencies verify or validate documentation provided by applicants?

- What kinds of proof of residency do local agencies accept? What independent checks on residency do they perform?

- What checks on dual participation within the state and across States do they perform?

- What identity verification or other controls are used to prevent and detect phantom cases (benefits issued to non-existent participants)?

- Do local agencies require reporting of changes in eligibility? What are the requirements, and how are they enforced? Do agencies obtain independent information on continuing eligibility (e.g., through periodic data matches with Medicaid or other programs)?

- What procedures, computer system features, and security measures are used to prevent and detect fraud and abuse in the issuance process?

- What actions do State and local agencies take to follow up on possible Program recipient or staff involvement in vendor fraud?

- What procedures in recruiting, hiring, training, and managing staff do State and local agencies use to prevent and detect participant and staff fraud? What kinds of staff behavior or performance indicators are used to trigger audits or investigations, and how are these inquiries conducted?

- What evidence or information, if any, is available from WIC administrative records to document the cost and effectiveness of controls on participant and staff fraud?

- What are the legal, regulatory, and/or operational challenges or constraints to wider implementation of current or promising controls?

At the State level, the data collection efforts drew on the inputs and perspectives of key staff regarding program operations, use of management and information systems, data on fraud/abuse practices and investigations, and value of current and planned enforcement actions. These visits also provided us with access to relevant data, documentation and technical expertise needed to understand and assess the utility of automated systems for fraud/abuse detection and prevention. In addition, available data or opinions on the costs and effectiveness of controls were assessed during these visits.

The local agency site visits provided the opportunity to understand and evaluate how the controls operate at the "street-level." In the WIC Program, the diversity of organizations serving as local agencies makes their perspective particularly important, even though it is difficult to generalize. For this study, the data collection in local WIC agencies included interviews with agency managers and line workers, observation of interviews and use of automated applications, and reviews of documentation used to prevent and detect fraud.

Specifically, the data collection effort during the site visits was aimed at the following objectives:

- Obtain detailed information on procedures or systems through interviews, observation, and review of documentation.

- Understand how controls are implemented and the steps taken to make sure that they are sustainable and efficient.

- Collect and review records of control-related activity and outcomes.

- Understand the context that gives rise to fraud and that has made it possible (or challenging) to implement the controls where they have been successful, so that recommendations for other State agencies can address the conditions that may favor or impede implementation elsewhere.

- Review sensitive issues of how controls fit into WIC agencies' mission, culture, and political environment.

- Review and assess current or proposed controls by asking State and local agency staff to critique them on the basis of their knowledge and experience.

The site visits included a combination of semi-structured interviews, review of documentation, and observation of key procedures or computer applications. To the extent possible (within the limits of time, security requirements, and confidentiality restrictions), the data collectors also obtained copies of relevant documentation for computer systems, procedures, and also other useful documents such as consent forms and notices to participants.

For each State and ITO agency visited, we prepared a Site Visit Summary Report that provides the following:

- Background information covering agency organization/staffing and program operations overview

- Overview of program operations and processes with a particular focus on program monitoring activities and controls related to major program functions and activities, and

- Summary of site visit results highlighting key practices and their perceived effectiveness in program administration for fraud/abuse control.

These summary reports are provided in Part II, Appendix B of this report.

1.5 Approach to Evaluating the Potential Benefits and Costs of Controls

The ideal criterion for identifying best practices for fraud prevention and detection would be that the benefits of the practice (from cost avoidance or recovery of funds) exceed the costs (including administrative expenses and adverse impacts on participants). As discussed below, such a cost-benefit analysis was not feasible within the structure and resources of the study, and indeed would be extremely difficult and costly to accomplish, given both the challenges of measuring the costs and the uncertainty about the benefits (particularly those of preventive measures). The second-best approach would be a formal cost-effectiveness analysis comparing the costs of methods that accomplish similar outcomes. This approach, too, was not feasible because of the lack of cost data and also because of the lack of information on the relevant outcomes.

In particular, we were impeded by the lack of data on the underlying rate of fraud (such as the error rate in determining income eligibility) and the variation in fraud under different fraud prevention and detection strategies. As mentioned earlier, the available information was quite limited in scope. One perspective was provided by the GAO survey of local WIC agencies, which found a very low level of detected participant fraud. The GAO estimated that about 0.14 percent of participants had committed serious violations within a 2-year period. The level of detected staff fraud was even lower—an estimated 48 individuals nationwide out of the estimated total 18,000 employees for the 2-year period covered by the GAO survey. Only 4 percent of local agencies identified any documented cases of employee fraud or abuse.

These figures represent a lower bound in the actual incidence of fraud, which includes both detected and undetected fraud. The proportion of actual fraud detected is, of course, related to the intensiveness and effectiveness of the effort expended on detection. A low incidence of detected fraud would be taken by some observers to indicate that fraud is actually rare, and therefore existing controls are adequate. More skeptical observers would assert that the same data could just as easily reflect weak fraud detection mechanisms in need of substantial improvement.

Available data on the actual incidence of fraud are very limited. A 1988 FNS study estimated that about 5.8 percent of WIC benefits were issued to participants who were not income-eligible, more than 30 times the detected rate of all serious fraud. This study was conducted over a decade ago. Since then, the WIC Program has dramatically expanded, potentially increasing the

likelihood of fraud, but State and local agencies have adopted many new controls for preventing and detecting fraud. FNS is expected to release the results of a new study of income eligibility in the near future, and these results may help WIC officials assess the scope and nature of underreporting of income. Neither the past study nor the new one provides data on the actual incidence of other types of fraud, such as dual participation and trafficking WIC benefits for cash.

Moreover, the case for enhancing controls on WIC fraud and abuse is not just one of saving funds by reducing current levels of actual fraud. There is an unknown amount of potential fraud that does not occur under current controls but could occur if these controls were not present, or if perpetrators of fraud sought new opportunities. The need to prevent this potential fraud is not quantifiable, but it is real and important. Moreover, taxpayers and their representatives expect an adequate set of controls to maintain the integrity of the Program. When cases of egregious fraud or abuse have come to light, particularly those involving Program staff, they have generated considerable public concern, even if the available data suggest that such abuses are rare.

Thus, there is an important element of policy choice in determining the appropriate level of resources to devote to fraud prevention and detection, in addition to considerations of costs and financial savings. Each State agency is obliged to strike a balance between missing fraud because of devoting too little resources to the problem and overestimating the likely level of fraud and spending more on fraud control than is actually saved. This policy choice depends on the available resources, the competing demands for those resources, and the influence of WIC Program stakeholders. For example, State agencies may need to consider whether to allocate a set of available resources to fraud prevention, outreach, nutrition education, or other program improvements.

Bearing these considerations in mind, we focused on identifying and assessing currently used methods of preventing and detecting fraud. The rationales for these controls were examined. Their advantages and disadvantages were assessed through discussions with State and local WIC staff and with staff in other States that have chosen not implemented such controls. In these discussions, State and local staff also communicated the nature of their mandates for fraud control and the policy considerations that have shaped their choices about the commitment of resources.

The other principal challenge in assessing fraud controls was the difficulty of identifying their costs. Most of the controls presented in this report are not discrete activities but instead are embedded in operational procedures and information technology used for a variety of purposes. WIC cost-accounting procedures do not provide the level of detail that would be necessary to estimate the costs of controls; indeed, an accounting system that did provide this level of detail would be very costly to operate. An independent investigation of these costs was not within the scope of our study, but a focused investigation of the cost of specific controls could provide worthwhile information for USDA and State WIC agencies.

There are several intrinsic challenges to compiling estimates of the costs and expected impacts of fraud controls likely to meet cost-effectiveness tests in most States:

1. Any valid estimation of the costs of fraud controls and their potential impacts must take into account the State agency's overall operational environment and specific scenarios and arrangements under which individual controls, or combinations of controls, are to operate. Synergistic effects of likely combinations of controls have to be considered in the overall agency context.

2. The nature and extent of resource requirements to maintain a specific control are likely to vary significantly from one agency to another depending on the nature and sophistication of the existing support systems, staff resources, procedures, and other relevant infrastructure.

3. The resource requirements for the initial implementation of a particular control depend on a number of key variables, such as the nature of the management and information systems in place, the changes required to the existing systems and practices, the extent of development or enhancements to be done, the technical and management staff resources available and their skill levels, and the degree of operational flexibility or adaptability at a given agency.

As a result of such constraints on quantitative analysis, this report takes a qualitative approach to the assessment of costs and the comparison of these costs to the potential benefits of enhanced fraud controls. The first element of this approach is that the controls (or practices) to prevent and detect fraud are divided into two categories: basic and enhanced.

Basic controls meet WIC requirements with the minimum commitment of resources. For this reason, many of these controls are widespread. In some cases, program requirements mandate specific controls, although State agencies may have some latitude in the details of implementation.

Many of the basic controls (or practices) have been found by a number of State agencies to be insufficient to provide adequate assurances of program integrity. Enhanced controls require more resources than basic controls but offer real improvements in the prevention or detection of fraud, based on the experience of the State agencies that have developed them. Enhanced controls may complement or replace the basic controls, depending on the nature of the controls and the requirements.

We determined that the enhanced controls are worthy of consideration for adoption by State agencies that do not already use them. This assessment is based on several criteria. First, we identified enhanced controls that had been used for an extended period by State agencies that were recognized as leaders by FNS and their peers. Second, we focused on those enhanced controls that address known limitations of the basic controls, including documented cases of

fraud and potentially serious areas of vulnerability. Third, we determined that the enhanced controls have proven operationally feasible and acceptable to stakeholders, including local staff and participants.

The continued use of these enhanced controls reflects the judgment of WIC Program managers that their benefits justify the expenditure of resources to maintain them. The policy and budget decisions of these managers incorporate operational feedback from State and local staff responsible for day-to-day program operations (including implementing and overseeing the fraud controls), as well as the Federal and State mandates for fraud control and other program objectives. Much of the knowledge about fraud in the WIC Program is gained through investigations of suspected fraud, which highlight the vulnerabilities of the Program and the strategies and motivations of those who seek to abuse it. This evidence is admittedly anecdotal, but WIC agencies refine their approaches through the accumulation and interpretation of this evidence into a collective body of knowledge.

Some agencies may, of course, make the choice to spend resources on fraud control where the evidence of effectiveness is weak, but in the long run, the managers or staff responsible for using these resources will likely recognize that the resources can be better spent in other ways. In particular, local agencies are likely to question fraud control measures that do not appear useful, because local staff are daily exposed to participants' desires for better service and reduced burden of participation.

We examined the scope of the resources devoted to the enhanced controls, the underlying rationale for the controls, and the alternatives. Where the resource requirements were more substantial (such as the cost of on-line checks for dual participation), we identified and highlighted the arguments for the controls and their principal alternatives. We probed where the justification for undertaking certain efforts seemed weak. This assessment was qualitative, but the comparisons among the diverse study sites provided useful perspectives.

The study results provide a set of tools for WIC Program managers to assess and enhance their own approaches to preventing and detecting fraud. The study lays out a framework for identifying vulnerabilities and a series of options for addressing those vulnerabilities. The process described above produced a selective list of realistic options, with the recognition that the appropriateness of these options to a given State or local agency depends on many factors. The information on the resources and infrastructure required and on the experience gained in using these options will help managers decide which options fit best into their own program environments.

In considering the potential use or adaptation of the enhanced controls identified in this report, each State agency needs to assess its own infrastructure, information systems, associated risks, current strategies, resources, and mandates. The report identifies important contextual factors for these assessments, such as information system requirements, WIC participant and local agency characteristics, and issues of operating scale. The report also differentiates between the enhancements that require major investment of staff time (or other resources) and those with more modest resource requirements. Where available, relevant data on the estimated incidence of

fraud are referenced to help identify priority areas for action, albeit with the recognition of the limitations of these data and the importance of less quantifiable considerations of program integrity.

1.6 Organization of this Report

This report is organized into Part I and Part II.

Part I presents a summary of basic and enhanced practices for the prevention and detection of fraud and abuse by WIC Program participants and staff, for each of the major program functional areas, including: certification, benefit issuance, redemption, participant investigations and sanctions, and oversight of employees and local agencies.

Chapters II, III, and IV discuss fraud prevention and detection in three major program functions: certification; benefit issuance; and transaction and redemption of benefits. Chapter V considers the approaches to investigating participant fraud, imposing sanctions, and recovering benefits obtained through fraud. Chapter VI presents the ways that local agency management and State agency oversight can ensure compliance with participant fraud controls and also prevent and detect staff fraud.

In considering the methods for preventing and detecting WIC fraud and abuse, each chapter identifies relevant WIC regulations and other requirements that provide the underlying mandate for program officials. Background information on the types of vulnerabilities to fraud and abuse is provided for each program function. Basic and enhanced controls are summarized and discussed in detail. Resource requirements for the enhanced controls are identified and compared with the potential benefits of these controls.

Part II provides a detailed report on the selection of sites for data collection (Appendix A), and site visit summaries documenting the program operations as well as the WIC fraud prevention and detection practices in each of the eight State and two ITO agencies visited (Appendix B).

Chapter II

Certification Controls

The WIC certification process includes four separate determinations: categorical eligibility, residency, income, and nutritional risk. Although the certification process must comply with WIC Program regulations, State agencies are still afforded discretion in their processes. Preliminary screening for eligibility may be done prior to the scheduling of an appointment, or done at the certification appointment. State agencies may require documentation or go a step further and verify it.

Many of the steps of the certification process provide opportunities to prevent and detect fraud and abuse. For this reason, it is essential that strong controls be in place. This chapter provides a discussion of the certification process, which includes WIC Program regulations, vulnerabilities, effects of choices made by State agencies, and basic and enhanced controls.

2.1 Background

Before discussing the basic and advanced certification practices, we consider the vulnerabilities in the certification process.

Vulnerabilities of the Certification Process
In the WIC certification process, several types of fraud or abuse may occur:

- Applicants may falsify eligibility information (i.e. categorical status, income, residency status, or nutritional risk).

- Applicants may fail to report their total household income.

- Applicants may falsely claim to be eligible for adjunctive programs.

- Participants may receive benefits from more than one location at the same time.

- Participants may receive benefits from WIC and the Commodity Supplemental Foods Program (CSFP) at the same time.

- Participants may continue receiving benefits when no longer eligible.

- Staff may create phantom participants.

- Staff may knowingly certify applicants who are not actually eligible.

These forms of fraud may involve either participants, staff, or collusion between the two. Each of these vulnerabilities represents authorization of benefits for someone not eligible to receive them.

Key Provisions of WIC Program Regulations

WIC Program regulations (7 CFR 246.7) establish a number of requirements for the certification process. To be eligible to participate in the WIC Program, an applicant must:

- be categorically eligible: i.e., a pregnant, postpartum, or breastfeeding woman, infant, or child up to age 5

- reside within the State or local service area (Indian State agencies may require that the applicant live within their jurisdiction)

- meet the State agency's income criteria

- meet nutritional risk criteria

- have identification checked at certification and when issuing food instruments

- provide proof of residency and income.

State agencies may require verification of information for confirmation of income eligibility.

An applicant will be considered income eligible if he or she can document meeting one of the following criteria:

- certified to receive Food Stamps

- certified (or presumptively eligible) for Temporary Assistance to Needy Families (TANF) or a member of a family that is eligible

- certified (or presumptively eligible) for Medicaid, or member of a family in which a pregnant woman or infant is eligible

- member of a migrant family certified for WIC in the last 12 months, as documented by a valid Verification of Certification (VOC) card

Participants must be physically present at certification and subsequent recertifications. At State agency option, certain infants and children may be exempt from the physical presence requirement. Exceptions due to a disability must be granted. Examples of such situations include:

- medical condition for which use of medical equipment that is not easy to transport is necessary

- medical condition requiring confinement to bed rest

- serious illness that may be worsened by coming to the clinic

- height or length and weight measurements, and hematological tests (if needed to determine nutritional risk), which must be obtained for each participant

- height or length and weight measurements, which must be taken within60 days of certification

- hematological test for anemia, which must be taken at recommended time frames or no later than 90 days after certification.

Hematological test data can be provided by a competent professional authority not on staff at WIC. For a woman, the results must have been obtained while in her current categorical status. A doctor's prescription is required for formulas that are not in the State agency's rebate contract.

Certification form(s) provided by the State agency must include the following:
- Applicant's name and address

- Date of application

- Income eligibility information

- Date of certification

- Date nutritional risk data were taken if different from date of certification

- Nutritional risk conditions that established eligibility including height or length, weight, and hematological test results

- Signatures and titles of staff making nutritional risk determination and determining income eligibility

- Signature of the participant following a statement in which the participant certifies that information provided is correct, acknowledges that information may be verified, and acknowledges that intentionally providing inaccurate information may result in paying back funds, or civil or criminal prosecution.

Participants must be informed of their rights and responsibilities. State agencies are responsible for detection and prevention of dual participation within and between local agencies. If a State agency is to serve the same population as an Indian State agency or the CSFP, a written agreement for detecting and preventing dual participation must be entered into with these agencies before the new agency begins operation.

Data on Certification Practices

Table 2–1 presents data from the 1998 GAO survey on the prevalence of use of a computer system to perform certain functions related to certification.[1] According to GAO, most local agencies surveyed used a computer system to maintain participant data, but about 11 percent still did not. A WIC Management Information System (MIS) is an important element in the certification process and a useful tool for preventing and detecting fraud and abuse. When participant information is maintained in an MIS, the information can be updated and shared with all agencies in the network much more quickly than if it is maintained manually. Up-to-date information is important to the timely prevention and detection of fraud and abuse. In some small or satellite clinics, use of computers is either technically problematic or too expensive for the number of participants served. Some agencies have dealt with this problem through use of laptop computers, which can travel to these clinics with the certifying staff. In other agencies, data entry and other MIS functions for sites without computers are performed at a site that has computers. As basic portable computers become less expensive and more up-to-date MIS becomes available to smaller agencies, local agencies will more easily be able to realize the advantages of having an MIS onsite.

Table 2–1—Estimated percent of local agencies using a computer system for certain certification controls

Certification control	Estimated percent of local agencies
Use computer system to maintain participant data	89
Use computer system to identify dual participation within the state	73
Use computer system to verify adjunct income eligibility	50

Source: U.S. General Accounting Office (GAO)*, Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 42.

A WIC MIS can be programmed to perform matches based on certain elements of participant data and to flag possible cases of dual participation. This function can be performed far more quickly and more accurately by a computer than by staff. The sooner dual participation is identified, the sooner staff can put a stop to the receipt of dual benefits, thereby minimizing loss of funds. Despite the usefulness of the MIS in performing this function, only 73 percent of the local agencies surveyed by GAO were using it for this purpose. Even if this function was not programmed into the MIS initially, the participant information contains the data elements necessary for matching. Having the MIS programmed to perform this function is an enhanced control for preventing and detecting fraud and abuse.

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[1]The GAO survey reflects State agency practices before enactment of the Goodling Act. Controls referenced in these data may be more prevalent now because of steps taken by State WIC agencies to implement this act, ongoing MIS improvement efforts, and other program enhancements.

Eligibility based on an adjunctive program needs to be based on accurate information, because this criterion takes the place of the income requirement. Eligibility status in one of the adjunct programs may have changed since the documentation provided to WIC was printed. Use of a computer system to verify adjunct income eligibility provides WIC staff with the most current eligibility information. Yet, only 50 percent of the local agencies surveyed by GAO used a computer system to verify adjunct income eligibility. The other 50 percent may be using outdated information to establish adjunct income eligibility, and may be certifying applicants who are no longer eligible.

Local WIC agencies must obtain documentation of adjunct income eligibility, but verification of this documentation varies widely. Table 2–2 presents data from the GAO survey on the prevalence of verification of eligibility in adjunct programs. The data show that almost half of local agencies (45 percent) performed no verification of this documentation, and only 14 percent verified all such documentation. As discussed later in this chapter, verification of adjunct income eligibility documentation enhances the controls against participant fraud, but the appropriateness of this practice depends on the nature of the documentation provided and other considerations.

Table 2–2—Estimated percent of local agencies verifying applicants' eligibility in other income-qualifying programs

Verification of adjunct income eligibility	Estimated percent of local agencies
No verification	45
Less than 10% verified	6
10% to 50% verified	13
Between 50% and 100% verified	12
100% verified	14
Failed to respond to question	9

Source: U.S. General Accounting Office (GAO)*, Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 44.

Additional data on the certification process are provided by the USDA Food and Nutrition Service, *National State Agency Program Integrity Profile, 1998*:

- Of the 77 State agencies represented in the profile (including 25 ITOs), 18 had electronic access to State Medicaid systems for verification of adjunct income eligibility.

- 57 State agencies had an automated system for conversion of infant to child status on the child's first birthday.

- 26 State agencies had a written agreement with bordering States to share information for the detection of dual participation.

2.2 Overview of Controls for Certification

The certification controls available to State and local WIC agencies for preventing, detecting, and responding to fraud include the following:

- type of information obtained at screening
- type of documentation required at certification
- how documentation is recorded and/or verified
- exemptions to documentation requirements
- controls for preventing and detecting dual participation
- automatic termination
- standards and procedures for obtaining height, weight, and bloodwork
- standards and procedures for food prescriptions

Tables 2–3 to 2–8 summarize the requirements and basic and enhanced controls in these areas, identifying the key advantages of the enhanced controls and, where appropriate, important cautions or other considerations related to these controls. The text following each of these tables discusses the controls in more detail.

2.3 Fundamental Choices Shaping Certification Processes

State agencies make certain choices that shape the certification process and the kinds of controls used. Some of these choices are:

- Type of MIS in use (centralized online, distributed online, or centralized batch)
- Types of data available to local clinic and administrative staff
- Functions programmed into the MIS
- Integration of WIC intake with other health programs

The MIS is an important tool in the prevention and detection of fraud and abuse, so the design of an agency's MIS has an important role in shaping the nature and strengths of an agency's controls against fraud. One key feature of MIS design is whether all data are maintained in a single, centralized database or distributed among the local agencies. A single centralized database ensures that users have access to current information on all participants, including evidence of duplicate registration or participation. Use of a distributed database design, on the other hand, reduces storage, processing and telecommunications requirements for local agency MIS functions.

Another key feature is whether the database is updated online (as users add and change individual records) or via batch processing. Online updates ensure immediate access to updates, but batch systems are simpler and cheaper to build and maintain. In a distributed online environment, the local database is updated online, but the master database for the State agency is updated through periodic batch transmissions. The frequency of these transmissions then determines how current the master database is; control on dual participation and other types of fraud is enhanced when these transmissions are daily.

State agencies differ in the level of access clinics have to the participant database. In some States, the entire agency's participant database is accessible at the clinic level; in other States, only the data for the local agency is available at this level. In the latter group, the MIS cannot automatically detect when a participant is already registered at another agency. Other State agencies provide no local access: the database can be accessed only by the central office. In these States, Program information is typically available to clinics through printed reports, or certain information may be sent to clinics via electronic mail. This limitation affects the timeliness of the information available to the clinic when certifying applicants and the feasibility of using MIS data and functions in the certification process.

State agencies make choices about how many and what types of functions are programmed into their MIS. These choices affect the nature of the controls that are used. The degree to which certification is automated influences how quickly participant information is available Program-wide. The extent to which certification is automated also influences the degree to which related functions can be performed, such as edits to detect invalid data and to force recertification or terminations. Similarly, the types of reports and their specific programming are choices that influence who can monitor the certification process, what parameters can be monitored, and how effectively potential fraud can be identified. Yet another way to augment fraud controls is to establish linkages with related data systems, such as Medicaid eligibility files or birth records.

A sophisticated, online MIS that provides local agencies with real-time access and extensive process automation offer the most extensive possible array of controls. There is a price to these controls, because these features add to the cost of the MIS. Each State agency must weigh considerations of cost, fraud control, and other factors when it designs or enhances its MIS. These considerations need to take into account not only the direct costs of the MIS but also the impact of the MIS on other costs, such as the staff time to investigate fraud and the costs of fraudulently obtained benefits.

State agencies make decisions about the level of integration that exists between the WIC Program and other health programs. Where WIC clinics are operating through health departments, some State agencies have found it beneficial to integrate services between the two. In such situations, intake is typically an integrated process, with the information obtained being shared by all programs in which the applicant wishes to participate. This means that WIC certifying staff have less applicant information to obtain, but there may be aspects of an integrated intake that are not specific enough to WIC (for example, certain aspects of income determination such as counting the fetus as a family member). In clinics where programs are not integrated, the intake process is specific to the needs of the WIC Program, and all information will have to be obtained for a new applicant.

The text following this section provides a discussion of specific practices for each element of the certification process, with each section introduced by a summary table. The tables identify the WIC Program requirements for the certification process, the basic controls used by most State agencies, and the enhanced controls available to increase program integrity. For the enhanced controls, the tables highlight the benefits and the costs, including potential impacts on staff time, clinic flow, MIS requirements, and other resources.

2.4 Initial Intake Controls

Table 2–3—Requirements and controls for intake/screening

WIC requirements and basic controls for intake/screening	Enhanced controls for intake/screening	Benefits and costs of enhanced controls for intake/screening
Requirement: (There are no specific requirements governing initial intake/screening)		
Basic control: When applicant calls for appointment, request information on categorical eligibility.	Request information on categorical and income eligibility prior to certification.	Saves time. Screen for eligibility under these two criteria, but if not income eligible, invite applicant to come for certification anyway so that staff can make a formal determination or referral. Requires investment of staff time, may slow clinic flow initially but saves more time at certification and prevents ineligible applicants from using limited appointment time.
Basic control: Inform applicant of types of documentation needed at certification.	Send appointment letter to applicant listing documentation needed at certification.	Helps to ensure that appointment will not be forgotten, proper documentation will be brought; receipt of letter helps verify address. Requires investment of clerical staff time and cost of paper and postage. Saves time at certification and reduces need to reschedule.
	Set up participant record and assign ID number when making appointment	Helps track application activity and prevent dual application. Requires staff time but can be done by clerical staff rather than Competent Professional Authority (CPA).

The type of information gathered during the initial screening/intake is not governed by specific WIC Program guidelines, except that the timing and nature of the initial contact affect the mandatory timelines for making certification available. When an applicant calls, it is helpful to take some information beyond that required to schedule an appointment. Typically, information is taken for the purpose of establishing the applicant's eligibility category (e.g., whether a woman applicant is pregnant or post-partum). It is also helpful to ask some questions about income as a preliminary check for income eligibility.

If a caller is clearly over the income threshold, this step may save the applicant from making an unnecessary trip to the clinic. However, since so many factors are involved in income eligibility, the caller is usually offered an appointment to further explore eligibility with a member of the staff. It is also helpful to ask if the applicant is already on WIC, so that staff can identify this case as a transfer, which entails less time for processing. While these steps may require some additional staff time up front, having this information on hand at the time of the appointment will

likely save time at certification. It may also reduce the number of applicants who are clearly ineligible for WIC from using limited appointment time.

If an appointment is scheduled, the applicant is usually instructed about what documentation to bring. This increases the likelihood that the applicant will have the appropriate documents for certification, and it also lets applicants know that WIC staff will be requiring proof of the information they provide. For most applicants, a driver's license or bill is sufficient proof of residence, but in some instances, they are not available. Clinics can use autodialers or send letters to the applicants reminding them of the date of the appointment and the documentation that must be provided. Use of reminder letters is an enhanced control, because in addition to providing the applicant with a reminder, this process entails obtaining the address of the applicant.

If the applicant receives and brings the letter, it can be used to verify residency; if the letter is returned undelivered, this is a signal to the clinic to further investigate residency when the applicant appears. This control requires an additional expenditure of staff time and entails an additional cost to the Program in postage and paper. However, it increases the likelihood that applicants will bring needed documentation with them and will not miss appointments. Both of these benefits reduce the need to reschedule applicants and allow staff to maximize use of appointment slots to serve applicants as efficiently as possible. Yet another enhanced control for the intake process is to open a record and assign a participant ID number at the time of initial contact. While this control entails an additional amount of staff time, it facilitates tracking of applicant activity to detect attempts at dual application or the changing of eligibility information in order to qualify.

2.5 Certification Controls

Table 2–4—Requirements and controls for certification

WIC requirements and basic controls for certification	Enhanced controls for certification	Benefits and costs of enhanced controls for certification
Requirement: Agencies must check a participant's proof of identity at each certification.		
Basic control: Same as requirement	Photocopy document provided as proof of identity	Reduces likelihood of staff creating phantom cases. Aids in investigation of potential staff fraud in relation to phantom cases. Staff time required depends on what documentation is copied and how clinic is set up. May entail cost of providing photocopy machines and sufficient space
Requirement: Obtain documentation of eligibility for Medicaid, TANF, or Food Stamps		
Basic control: Screen for adjunctive income eligibility prior to obtaining household income information	Options: a) Call toll free number or use computerized access to adjunct program database to verify current eligibility	Eligibility status may have changed since document was printed. Requires investment of staff time; adjunct program must have

		technology available and may expect cost-sharing.
	b) Develop Memorandum of Agreement or Understanding allowing WIC staff to make queries of adjunct programs	Can be used when staff lack direct access to database for adjunct programs. Requires that State administrative or legal staff draft the document, and obtain signature of authorized program representatives. This is a one-time investment of staff time. Both options require an additional investment of staff time to perform verifications.

Requirement: Determine household income and record it on a clear and simple form provided or approved by the State Agency

Basic control: Ask applicant to report amount of current household income	Probe for alternate or additional sources of income. Identify and inquire about certain sources (e.g., "do you receive SSI, child support, etc.?")	Applicant may not identify these as sources of income and may intentionally or unintentionally omit them. Requires small amount of additional staff time. May slow clinic flow.
	Use of a specialized income screening clerk	Ensures separation of duties; provides clinic with staff member who is experienced at probing for income information. May be a problem for smaller clinics.

Requirement: Documentation of household income must be provided by those not adjunctively income eligible except under specific circumstances. Type of documentation provided must be recorded on the certification form or a copy of the documentation included in the participant's file

Basic control: Record income information in the MIS, indicate type of documentation on certification form	Record type of income documentation provided on MIS	Establishes record for investigations or audits, facilitates monitoring of patterns of documentation use. Requires investment of staff time and MIS capability.
	Photocopy income documentation	Aids in future inquiries, prevents staff from falsifying income data Requires additional time, storage space, and access to a copier.
	Documentation review by two different staff	Reduces likelihood that staff will certify an applicant who is not income eligible. Requires involvement of two staff instead of one, but the more time-consuming computations can be

		performed by clerical staff instead of CPAs.
	For participants with zero income, obtain affidavit of support or confirmation from third party	Assures adequate documentation and facilitates access for these participants Requires investment of staff time, and additional cost of providing forms
Basic control: Manually compute income information and compare to guidelines to establish eligibility	Develop MIS capability to perform calculation, determine eligibility, and block further action if income eligibility is not established	Reduces number of errors. Ensures that information is entered before proceeding. Requires MIS access onsite and that MIS be programmed to perform this function. Cost varies depending on adequacy and capabilities of MIS currently in use.
	Record income for each household member. Prompt to obtain information	Facilitates calculation and updates of income information. Requires additional time at certification and could slow clinic flow.

Verification of Identity

Obtaining documentation of identity is a requirement of the WIC Program. WIC Program regulations provide substantial latitude for State and local agencies to determine what types of documentation to accept. State and local policies need to assure that documents are issued by reliable sources while facilitating access for individuals who do not have access to the most conventional forms of identification (i.e., driver's licenses and birth certificates), such as homeless persons and undocumented immigrants. Use of documents bearing other information about the individual is also helpful for establishing other eligibility parameters: for example, a birth certificate or crib card for an infant provides information on date of birth and birth measures.

The type of documentation provided must be recorded on the certification form or MIS, depending on which the clinic uses, at certification or a copy of the documentation included in the participant's file. This procedure is a control against someone's applying to the Program under a false name. State agencies must repeat this procedure at each recertification, and participants' identities must be checked when they pick up food instruments. This serves as a control against someone's posing as a WIC participant and receiving benefits not intended for them. As discussed in the chapter on issuance controls, many State agencies issue WIC ID folders or cards to provide a similar control, but these documents are not as secure as a driver's license or other photographic ID.

An enhancement of the ID requirement is to require that a photocopy of the ID documentation be placed in the participant's filer. This practice makes it more difficult for staff members to commit fraud by creating phantom cases because they would have to create false documentation

for each case or risk detection during case reviews. Retention of photocopies also aids investigative staff, particularly for instances of suspected dual participation using false identities. The impact of this procedure on staff time depends on whether other documentation is copied and how the copying is integrated into the workflow. Agencies need to weigh the cost of making photocopy machines available to all clinics for copying documentation, if this is not already the case. Installing a photocopy machine may be difficult in clinics with limited space.

Physical Presence

Strengthening a practice previously common in many States, WIC regulations now require that applicants be physically present at the initial certification and subsequent recertifications with limited exceptions. This requirement is most relevant in States where WIC clinics rely on outside resources for taking measurements and blood tests. WIC clinics that are part of primary care facilities typically see applicants and participants in person during the course of providing medical care. Where WIC clinics take their own measurements of participants, physical presence is automatically part of the certification process.

WIC Program regulations exempt applicants with a disability from the physical presence requirement under certain circumstances, such as required use of medical equipment that is not easily transportable, confinement to bed rest, or a serious illness that could be exacerbated by coming to the clinic. State agencies have some discretion to establish additional exemptions. As an enhanced practice, State agencies can establish clear criteria for local agencies to determine who is exempt. Agencies need to establish a consistent, efficient process for documenting justifications for exemption. While this documentation requires a limited amount of additional staff time, it also serves as a control against staff abuse of this discretion by creating phantom participants.

Verification of Adjunct Income Eligibility

WIC Program applicants can establish income eligibility if they are currently eligible for certain other means-tested programs (Medicaid, Temporary Assistance for Needy Families (TANF), and the Food Stamp Program). Applicants are required to provide documentation of current eligibility for one of these programs to establish adjunct income eligibility for WIC, such as a notice of eligibility, Medicaid card, or TANF check stub. Electronic benefit transfer (EBT) cards used for the Food Stamp Program; however, are not sufficient proof of current eligibility, because EBT cards remain valid even after eligibility has been terminated.

If an applicant provides proof of eligibility for the adjunctive programs, the applicant need not complete the process of documenting all sources of household income. Under certain circumstances, a family member may be Medicaid-eligible, and therefore WIC-eligible, even though the household income exceeds WIC income guidelines, because Medicaid rules do not count income from unrelated household members.

According to the GAO survey, approximately 58 percent of participants in agencies that provided estimates were income-eligible based on their participation in one of these means-tested programs. Fraudulent receipt of benefits by even a small percentage of such a large proportion of the WIC population would represent a significant loss to the program.

Screening for adjunct income eligibility expedites the WIC certification process, because the information and documentation requirements are less detailed than for a direct determination of household income. At the same time, this screening identifies applicants who are not participating in adjunct programs for which they may be eligible, so that WIC staff can make the appropriate referrals.

The WIC Program does not require that adjunct income eligibility documentation be verified, but some applicants' eligibility status may have changed between the time the documentation was printed and the appointment for WIC certification. Eligibility can be verified by:

- calling the adjunct program to confirm current eligibility.

- accessing the adjunct program's database, either through a separate terminal or through the WIC MIS.

- establishing a written agreement to share information through printed reports, participant rosters, or phone contact between WIC and the adjunctive programs. (Such an agreement may also be required for use of a telephone or other automated verification system, depending on the applicable laws and program rules.)

Although verification entails additional staff time, it provides the most current information on the applicant's eligibility. As a result, it lessens the likelihood that benefits will be provided to applicants no longer eligible for adjunctive programs.

Verification of Income Eligibility
The Goodling Act requires WIC applicants to present documentation of either family income or participation in Medicaid, Temporary Assistance for Needy Families (TANF), or the Food Stamp Program. Exceptions are permitted on a limited basis, such as when necessary documentation is not available, or for a homeless person for whom the requirement would pose an unreasonable barrier to participation. Under the Goodling Act, self-declaration of income is no longer acceptable. Documentation must be provided, such as W-2 forms, income tax returns, current pay stubs or unemployment benefit stubs, or earnings statements.

As an enhanced control, applicants who are claiming zero income can be required to provide the clinic with a statement of support from a third party or to sign an affidavit claiming zero income. This practice requires little additional staff time and ensures that documentation of zero income is on file, while at the same time providing access to the program for participants without any income. Other appropriate documents that establish the family's current income level are acceptable. Section 246.7 (d)(2)(ix) of the WIC regulations, states that a valid VOC card may be accepted as documentation for transferring participants or migrant families. If an applicant meets all other eligibility criteria, an agency is permitted to provide a 1-month supply of benefits and allow the applicant 30 days to bring in documentation of income.

Although documentation of income is required, verification of income is not, although WIC does encourage verification on any questionable information provided. Verification of information

provided for income eligibility is authorized in the WIC regulations (Section 246.7(d)(2)(v)). There are several practical reasons for not routinely verifying income:

- Databases used for verification by other income-based programs, such as State employment security agency records, require the use of a Social Security number, which is not required and may not be available for WIC applicants.

- Use of these databases may entail a substantial cost or delay.

- Direct verification via employers entails substantial staff time and may discourage legitimate applications.

Income verification is most useful as a tool when investigating suspicions of fraud. Most often, the income documentation is a pay stub that can be determined by inspection to be credible. If a pay stub alone does not provide sufficient documentation (e.g., the employer information would not permit verification), the State agency can provide a procedure for obtaining a statement from the employer.

An area of particular vulnerability in the process of determining income eligibility is obtaining an accurate income for the economic unit. With the exception of small towns, where staff may know the living situations of applicants, WIC staff must typically rely on the documentation the applicant provides on who is living in the home and how much income they receive. Applicants may not know the income of people living with them, or may be reluctant to share this information. Effective WIC staff assure that they obtain complete information on applicants' household income by relying on their experience with WIC participants, using appropriate interviewing techniques, and treating every interview as important.

A key strategy is to probe when the reported income is inconsistent with other information about the applicant's living situation. Training in how and when to use prompts effectively to gain needed information is helpful to staff. Staff can also prompt for sources that the applicant may not consider as income, such as disability benefits, child support, etc. As an enhanced control, the staff member records the name and income of each household member, to facilitate reliable computation and updating of household income.

When the applicant or a household member is reluctant to provide income information, staff emphasize that this information is confidential and used solely for WIC certification. Some agencies use a specialized income screening clerk to perform the income eligibility portion of the certification process. Such clerks are specially trained to gain more accurate income information to establishing income eligibility. These practices require additional staff time for the certification. Training in use of prompts can be provided as a part of on-the-job training, through observation of a more seasoned staff member, at no additional cost to the Program, other than the amount of time the trainee spends observing this process.

The type of documentation provided by the applicant should be recorded on the certification form or in the computer. This is helpful as a method of retaining a record of what documents the

applicant provided. The potential still exists for a staff member to certify an applicant who is not actually income eligible, by recording that a certain type of documentation was produced and that the applicant is within income guidelines. An enhanced control against such collusion is to require that staff photocopy income documentation and keep the copy in the chart. This would make falsifying income to certify an applicant much more difficult.

Photocopies are useful evidence if a case of suspected fraud and abuse is under investigation. Making photocopies requires staff time, added storage space, and access to copiers, so this practice may not be feasible or cost-effective for all agencies.[2] An alternative way to prevent staff from falsifying income documentation is to have the documentation reviewed by two different staff: a reception clerk who verifies that the documentation is provided and computes household income, and the Competent Professional Authority (CPA) who makes the final determination of eligibility. Review of documentation by two staff requires additional staff time, but clinics may find it useful to have clerical staff perform income computations so that the time of the CPA is freed up for other duties.

Household income is typically calculated by the certifying staff and kept on record. The potential exists for errors in calculation, especially when clinics get busy, and staff members are rushing to keep clinic flow at a tolerable level. For example, errors could be made when converting the amounts on weekly or biweekly pay stubs to a monthly income amount. A function that allows for staff to enter income information and have the MIS perform the calculation to determine if an applicant is income eligible is an enhanced control, particularly if the MIS is programmed to prevent the user from proceeding until this is finished. Since the MIS can perform this function more accurately and efficiently, this control is beneficial in increasing program integrity and reducing staff effort.

The cost of programming the MIS to perform this function varies considerably, depending on the type of MIS currently used. This control also requires that each certifying staff have access to a terminal during the certification process, which may pose a problem in smaller clinics. Recording the income of each person in the household at the time of certification is an enhanced control in the certification process, in that it aids staff in obtaining accurate information at subsequent recertifications. For example, staff can inquire about a particular member of the household who was mentioned at certification, but not at recertification. This requires additional staff time to check the record and inquire about household members, but at the same time provides staff with a method for obtaining more accurate information about the size and income of the family unit, an area where staff have little control for ensuring that information provided is accurate.

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[2] As used here and elsewhere in this report, the term "cost-effective" means that the practice in question yields sufficient results to justify its costs. Such determinations may be made through quantitative or qualitative assessments. A quantitative cost-effectiveness or cost-benefit analysis, incorporating comparison of costs and measurable outcomes, is the preferred basis for choosing among alternative practices. When making decisions about proposed practices, however, program managers often have to rely on more subjective assessments of cost-effectiveness, based on qualitative comparisons of resource requirements and likely outcomes.

Residency

Table 2–5—Requirements and controls for establishing residence

WIC requirements and basic controls for residency	Enhanced controls for residency	Benefits and costs of enhanced controls for residency
Requirement: Applicant must provide proof of residency via official documentation or correspondence except in specific cases where an exception is granted. Type of documentation must be recorded on the certification form or a copy of the documentation included in the participant's file		
Basic control: State agencies require some sort of document with applicant's name and address	Options: a) Provide standard list of acceptable documentation	Assures consistency and use of reliable sources. Requires investment of time for State administrative staff to establish list.
	b) Send pre-formatted appointment letters	Helps to validate address. Requires clerical staff time and cost of paper and postage.
	c) Record form of documentation provided on MIS	Allows tracking of patterns and provides basis for audit or investigation. Requires MIS access and staff time. Minimal slowing of clinic flow.
Basic control: Establish procedures for participants without conventional street addresses	Options: a) Identify via confirmed electric/water meter number b) Obtain signed statement providing directions attached to a map	Requires investment of time for State administrative staff to establish procedures.

WIC applicants are required to provide proof of address, as a check against dual participation except in limited circumstances. The effectiveness of this control is enhanced when the State agency provides clear guidelines on what documentation is acceptable, and when applicants are informed of the requirement. These guidelines need to assure that the documentation is reliable while providing a wide variety of options to fit individual circumstances. For most participants, a driver's license or utility bill is a readily available and suitable proof of address. Another commonly available and reliable source is a pay stub with the participant's address. For WIC families that share a home with another family, the utility bill alone is not suitable, but it can be validated by a signed statement from the head of the other family. In rural areas, the lack of conventional street addresses poses a challenge that needs to be addressed by State policy.

For these cases, valid residency information can be assured by options such as: identifying the location by obtaining the electric or water meter number and confirming the location with the utility (preferably in writing); or having the participant sign a statement providing clear directions or a map showing nearby landmarks and approximate distances. Certification staff

cannot verify each such address in person, but the requirement to provide verifiable information serves as a deterrent to falsification, and the information can be useful to an investigator if suspicions arise about dual participation or unreported household members with income. Establishment of a list of acceptable documentation requires that State administrative staff make a one-time investment of staff time. Keeping a record of the type of documentation provided in the MIS allows for the tracking of patterns that serve as "red flags" to investigators (e.g., use of non-conventional addresses in urban areas).

Table 2–6—Requirements and controls for dual participation

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Requirements: State agencies must take actions to identify suspected cases of dual participation within and between local agencies, with follow-up within 120 days of detection. State agencies must enter into agreements with bordering States and CSFP and ITOs within their service area for prevention and detection of dual participation.		
Basic control: Dual participation report checked on a quarterly or monthly basis	Dual participation report checked on a weekly or daily basis	Minimize time elapsing before dual participation is detected and investigated. Requires investment of staff time. Amount of time would vary depending on number of matches found.
	Options: a) Real-time check for dual participation with mandatory override if match is found	Prevents dual participation before the program incurs a loss Requires fast access to central database.
	b) Computerized matches with other States/CSFP/ITOs using standardized data formats	Especially valuable in areas close to a border or ITO. Requires agreement to establish data formats and follow-up procedures, and investment of staff time in reviewing and investigating matches.
	c) Computerized check in real time or via frequent match where CSFP is present	Manual checks on CSFP/WIC overlap are time-consuming and error-prone. Requires programming of MIS to perform this function, and ability of MIS to interface with other program's MIS.
Basic control: Dual participation report which uses multiple data elements for matching (i.e.: name, address, date of birth)	Includes spend dates on the last food instruments issued and flags participants with more than one set for the same month	Discriminates between dual registration and dual participation. Requires that MIS be programmed to perform this function. Cost of programming MIS varies depending on type of MIS currently in use.

	MIS which allows the user to adjust the number and type of data elements used	Allows the user to broaden, narrow or customize the report. Requires that MIS be programmed to perform this function. Cost of programming MIS varies depending on MIS currently in use.
Basic control: Provide Verification of Certification (VOC) card to transferring participants	Print VOC card from MIS	Reduces risk of unauthorized or altered VOC; requires MIS programming.
	Electronic transfer of record and control over record to participant's new clinic	Facilitates transfers, prevents confusion and errors; requires MIS programming.
Basic control: Check VOC card presented by participants transferring into State. Ask participants transferring into State to return previously issued food instruments before issuing new food instruments	Call out-of-State WIC clinic to check prior program status before issuing benefits	Prevents participant from redeeming two sets of food instruments for the same period of time.
	Return unused food instruments to State agency that issued them when participant transfers into State	Requires investment of staff time. Possible inconvenience to participant.

WIC Program regulations require States to establish procedures to prevent and detect dual participation between local agencies. A participant can be registered in more than one location, but receipt of more than one set of benefits for a single month is a violation. Dual participation was found by GAO to be the most common of the serious violations by participants detected. Strengthening of regulations pertaining to proof of identity and residency has made it more difficult for participants to participate in more than one location. However, one large State agency interviewed in the course of this study had enough matches on its dual participation reports to require a full-time investigator to process them.

Checks for dual participation can be done in real-time (during the registration process) or via batch reports. Dual participation can be most effectively prevented by an MIS that has the capacity to perform a real-time check for dual registration, particularly if the MIS requires a mandatory override in order to continue once a case of possible dual registration has been identified. As noted earlier, this capability entails substantial resource requirements. Agencies that do not have real-time checks for dual participation typically identify possible cases through the use of one or more dual participation reports. The frequency with which these reports are run varies from daily to semi-annually. A daily or weekly check provides the agencies with a control for identifying dual participation quickly and minimizing loss of funds.

Agencies that use a centralized batch system do not have the option of a real-time check and may not have access to the most current information because of lags in the transfer and entry of data. Dual participation reports are current as of the last time the information was updated. If information is not transmitted and entered on a daily basis, then it is less useful to perform daily

checks for dual participation. The more frequently systems are updated, and reports checked, the stronger the control for detecting and preventing dual participation.

WIC Program regulations now extend to preventing and detecting dual participation between States or between a State, an ITO, and CSFP serving the same area. Program integrity is enhanced by comparing records between agencies. Such comparisons can be automatic if the agencies share the same MIS (e.g., a single MIS is used for WIC and CSFP). Otherwise, comparisons require an agreement to share information in compatible formats, to assign responsibility for conducting comparisons, and to coordinate action when matches are found. These procedures are likely to be more cumbersome than within-State matches, so a less frequent process (e.g., quarterly or semiannual) may be the only cost-effective, feasible approach. If the process detects a high level of dual participation, the frequency can be increased.

A large number of the matches on dual participation reports are actually found to be cases of dual registration in which the participant has registered in two clinics but receives benefits from only one. This situation often arises when a participant has recently transferred from one clinic to another, and shows up on the new clinic's roster as well as on the previous clinic's roster. This can happen if the previous clinic has not yet updated its system, or if the participant did not request a transfer. Another common source of such "false positives" is the presence of siblings or multiple-births (e.g., when the match identifies children with the same birth date and last name). Because these false positives will show up repeatedly, the process can be enhanced by providing a way for these matches to be ignored in future searches.

The number and types of data elements used to find matches on these reports can affect how broad or specific they are. If an MIS has the capability to allow for adjustment of the number and types of data elements used, reports can be narrowed, broadened, or customized to meet the needs of the users. Control over these parameters is a sensitive issue, because they could be manipulated to conceal staff fraud. The basic parameters are the participant's name, date of birth, and address. Including the spend dates of the last food instruments issued to each participant as a data element allows the report to focus on cases where benefits were issued twice to the same participant for the same period of time, eliminating false positives resulting from dual registration alone. Additional information can be used if the agency records the mother's name in an infant or child record, or establishes linkages between family members. If participants' social security numbers are widely available, they can be a useful identifier, although they sometimes generate false positives because of problems in assigning or reporting these numbers.

The cost of programming the agency's MIS to perform this function varies in relation to the fundamental choices made regarding the type of MIS and its integration into WIC operations. Another factor to consider in implementing this type of control is the type of data currently stored in the database. Agencies need to determine whether the data elements currently available are sufficient to strengthen the report sufficiently to justify the cost of reprogramming the MIS. If a sufficient number and type of data elements are not currently stored into the database, the agency needs to consider the level of effort involved in obtaining and updating the database with such information.

A particular challenge to the Program is when a participant falsifies personal information to avoid detection, such as changing name, date of birth, etc. This may prevent detection on a dual participation report. Detection of dual participation of this nature is typically a result of tips by people the participant knows or observations by staff, who may have recognized this participant from another clinic. When dual participation of this nature is detected, notification can be sent to all clinics alerting them to watch for this participant. Clinics can be notified at minimal cost through use of e-mail, if available, or faxes or telephone calls.

When a participant transfers from one WIC clinic to another, and new food instruments are given, the potential for dual participation exists in the form of redemption of food instruments from both clinics for the same time period. The basic control used to prevent this problem, and to facilitate transfers, is the Verification of Certification (VOC) card given to the transferring participant. The VOC card contains key information from the participant's record, including birth date and start and end dates for the current certification period. As an enhanced control, some State agencies print VOC cards from their MIS, thereby ensuring the accuracy of the information and providing a document that is easier to authenticate than a manually prepared card.

At the same time, eliminating stock for manual VOC cards reduces the risk of the creation of unauthorized VOC cards by staff or other persons with access to the stock. Another enhanced control for within-State transfers is the use of an electronic process to transfer both the participant's record and the authority to perform actions on that record, including benefit issuance. This mechanism facilitates transfers and ensures that the clinic receiving the transfer has timely access to accurate information. It also prevents confusion and errors that may arise if more than one clinic has access to a participant's record. Both of these enhanced controls require a modest amount of MIS programming and processing.

If the participant is transferring from another State, local WIC staff members typically ask if the participant has a VOC card and, if so, use this document as proof of current eligibility. Local WIC staff members also check if the participant has any unused food instruments prior to issuing new ones. An enhanced control is to contact the previous clinic or the State agency to determine the dates on the last food instruments given, and require that any unused ones be turned in before replacements are printed. The clinic may be asked to fax a printout of participant information, particularly if the participant does not have a VOC card.

In areas where relocation across agency boundaries is common, checking for previous WIC participation may be useful as a routine practice, even if the applicant does not acknowledge prior WIC participation. Such calls cost time on the part of both the contacting and contacted agency staff, the amount of time depending on how readily available the information is to the contacted staff. Agencies using this control feel that the time invested in the call is worthwhile because of the potential for detecting dual participation. Control on dual participation is also enhanced when the MIS can automate transfers, including the removal of the participant from the database of the clinic that the participant is leaving. Such automation depends on the current capabilities of the agency's MIS. Agencies should weigh the cost of reprogramming their MIS to perform this function against the reduction in staff time as well as potential dual participation.

2.7 Termination Controls

Table 2–7—Requirements and controls for termination

WIC requirements and basic controls for termination	Enhanced controls for termination	Benefits and costs of enhanced controls for termination
Requirement: Certification is to be established in accordance with specified timeframes.		
Basic control: Participants terminated at end of certification period if not recertified	MIS automatically initiates termination and prevents further issuance of food instruments at end of certification period	Prevents receipt of benefits past time of eligibility due to accidental or intentional oversight by staff. Requires the programming of MIS to perform this function. Cost of programming varies depending on current MIS.

Termination of a participant at the end of the certification period is a basic control against receipt of benefits by participants who are no longer eligible. In a system where staff members are responsible for performing this function there is a risk of improper issuance due to staff oversight, collusion with participants, or theft by staff who know that a participant is unlikely to return.

An MIS with the capability to perform terminations automatically when the time is appropriate is an enhanced control against staff and participant fraud and abuse. There are several situations in which automatic termination can be used:

- When a child turns 5 years old
- When a pregnant woman reaches her due date
- When a woman reaches 6 months postpartum or 12 months of breastfeeding
- When a participant has not participated in the Program recently
- When a participant has not been recertified in a timely manner

The most basic approach to automatic termination is to key on the date of the last certification and the date when the next certification is due (which can be manually entered or, ideally, calculated by the MIS). Additional controls can be established to terminate participation when the individual's categorical eligibility ends, if the period of eligibility is longer than the certification period. In the case of a pregnant woman, the termination process needs to allow for late deliveries, but the control is most effective if a supervisor's approval is required. In States that use a batch system with an offsite database, food instruments have to be printed in advance for participants due for recertification, thereby increasing the risk of issuing benefits to participants who have not recertified. Agencies must weigh the cost of programming their MIS to perform automatic terminations against the added security it provides.

The integration of appointments with the MIS functionality for certification and benefit issuance provides an additional control for ensuring timely recertification and termination. If the worker is prompted to schedule the next appointment when issuing benefits, both the worker and the participant are reminded when recertification or the end of eligibility is due.

A related control is the termination of a participant who has not picked up food instruments recently. This situation is one of the most common sources of staff fraud. In this situation, the participant is still eligible and must be notified before action is taken. From the perspective of maximizing the Program's impact, it is important to follow up with such nonparticipants and attempt to get them to come back for their benefits and services.

Conversion of infant to child status is not actually a termination of benefits, but rather a termination of one category and beginning of another. The importance of this control lies in the relatively high cost of WIC formula. Because formula is expensive and has a resale value, participants may try to continue to receive it for longer than it is needed. As an enhanced control against fraud and abuse, an automatic conversion based on the date of birth entered into the system at recertification prevents this from occurring. Because of the high cost of formula, it is important that agencies weigh the benefit of reducing loss in this area when making decisions regarding the cost effectiveness of MIS programming to perform automatic terminations.

2.8 Anthropometric Measurements and Bloodwork Data

Table 2–8—Requirements and controls for measurements and data

WIC requirements and basic controls for measurements and data	Enhanced controls for measurements and data	Benefits and costs of enhanced controls for measurements and data
Requirement: Obtain height or length and weight data at certification. Data are recorded on the certification form		
Basic control: Data are recorded in the MIS	MIS checks for abnormal values MIS obtains/verifies birth weight and length from birth records	Detects errors and falsified data. Requires that MIS be programmed to perform this function. Cost varies depending on the capabilities of MIS currently in use. Investment of staff time to review results/ values. Match with birth records requires authorized access and automated records.
Requirement: Obtain results of blood test for anemia at certification for those with no other nutritional risk factor present, or within 90 days for those with another risk factor. Exceptions specified in the regulations		
Basic control: Data are recorded in the MIS	MIS checks for abnormal values	Detects errors and falsified data Requires that MIS be programmed to perform this function. Cost varies depending on the capabilities of MIS currently in use Investment of staff time to review results /values
Requirement: Bloodwork data and anthropometric measurements may be accepted from outside healthcare provider, but must reflect the participant's category, conform to anemia schedules, and reflect the date taken. Anthropometric measurements must have been taken no more than 60 days before prior to certification.		
Basic control: Copy of data provided is kept on record	Data should include healthcare provider's signature, address, phone number, and clinic name	Provides information needed to verify authenticity of the data if necessary.

| | | Requires investment of staff time and could be reserved for circumstances where data provided are suspicious. |
| | Provider name and address information recorded in MIS | MIS can identify high-volume and out-of-area sources of referral data for monitoring. Requires that MIS be programmed to perform this function. Cost varies depending on the capabilities of MIS currently in use. Investment of staff time to enter and analyze data. |

The nutritional risk assessment is a process that is largely shaped by considerations of quality of care, not fraud. However, this process is also vulnerable to abuse, especially when external sources provide anthropometric measurements and bloodwork results. This is of particular concern when programs are limiting benefits based on a priority system, because the temptation for external sources to falsify data to help someone receive WIC benefits may be increased. For this reason, it is important that controls are in place to prevent fraud and abuse, particularly when the information is coming from an external source.

Requirements include obtaining height, weight, and bloodwork data either directly at certification or via acceptable documentation supplied by a licensed external healthcare provider. To enhance this process, agencies can have the MIS programmed to check for out-of-range values, or to obtain and verify birth weight and length from birth records. This function aids in detecting errors and falsified data.

When data are accepted from an external source, an enhanced control is to require that the healthcare provider's signature, the group or clinic name, phone number, and address, so the agency can verify the authenticity of the data. Agencies can opt to provide a standard form to be filled out and signed by the healthcare provider to ensure that all information needed is provided.

The provider's name and address can be recorded in the MIS so that high-volume and out-of-area clinics can be tracked, and any provider with questionable patterns of referrals can be flagged for investigation. This information is also valuable for followups when questions arise concerning the data or the participant's health. The cost of programming the MIS to perform these functions varies depending on the functions and data currently programmed into the system. The amount of time required by staff to enter these data is minimal, and in agencies where information is entered into the system during the certification process, no additional equipment is required.

2.9 Food Prescription Controls

Table 2–9—Requirements and controls for food prescriptions

WIC requirements and basic	Enhanced controls	Benefits and costs of enhanced

controls		controls
Requirement: State agencies must provide a list of approved foods and their quantities to local agencies. CPAs must assign food prescription based on standards for participant category and individual assessment of nutritional risk		
Basic control: CPA enters quantities of prescribed foods on certification form or MIS	Program MIS to define basic and modified packages, assign default package based on participant category and risk codes	Prevents staff from over-issuing food package; promotes consistency and appropriate tailoring. Requires programming of MIS to perform this function. Cost of programming varies depending on MIS currently in use.
Requirement: Require doctor's prescription for non-contract formulas		
Basic controls: Review and approval of non-contract formulas by supervising nutritionist	Limited authorization to make codes for high-cost formulas available on the MIS	Requires additional time of senior staff, and programming of MIS, to perform this function. Cost of programming varies depending on MIS currently in use.
	Controlled ordering and handling of high-cost formulas	Involves shift of staff time from lower level to senior staff. May require special storage areas and security procedures.

The purpose of prescribing a food package is to ensure that a participant is receiving foods that are recommended for her based on her specific nutritional needs. In addition to meeting this need, the agency must also make sure that participants are receiving only those foods deemed necessary for them, so as to maximize use of food funds and to avoid collusion between staff and participants to provide extra benefits. Each agency must provide its CPAs a list of approved foods and the maximum quantities for each participant category, with guidelines for tailoring these standard food packages to individual needs.

As a basic control, the CPA refers to these documents and enters the quantities of foods for the individual food prescription on a certification form or directly into the MIS. (As discussed in the chapter on issuance controls, another basic control for this requirement is to pre-print the standard food items for women, infants, and children on food instruments, if they are to be issued manually at the time of certification.)

As an enhanced control, the MIS can be programmed to define standard food packages, including both the basic packages for each participant category (and, for children, for each age group) and modified packages to address variations in nutritional and dietary needs. The nutritionist or other competent authority can then choose from the array of standard food packages, rather than building a customized food package for each participant. This process can be further controlled by programming the MIS to assign a default package based on category and risk; overriding this default can be monitored or restricted to more senior staff.

The cost of programming the MIS to perform this particular control should be weighed against not only the reduction of potential fraud, but also the reduction in the amount of time it takes staff to issue food instruments. Many State agencies with on-demand check printing already have pre-programmed food packages, so the additional function of assignment by the MIS is less costly than in a system where food instruments come in booklet form or are hand-written by staff. Such a system requires a larger investment that may or may not include purchase of terminals for smaller clinics that do not have them.

When a participant requires a special formula not covered by the agency's rebate contract, the high cost of this formula necessitates additional controls on the prescription. WIC Program regulations specify that non-contract formulas are to be distributed only with a doctor's prescription, which must include a diagnosis justifying the need for special formula, how much formula will be needed, and for how long. This information helps ensure that high-cost, non-contract formulas are distributed only when medically necessary and only for as long as they are needed. As an enhanced control, agencies may require that a nutritionist or similarly qualified professional approve these prescriptions, when paraprofessionals are certified to perform basic nutritional assessments and prescribe food packages for low-risk participants.

At the agency level, enhanced controls on non-contract formula include: review and approval by a nutritionist on the State staff; limiting authorization to place non-contract formulas on the MIS as available prescriptions; and controlled ordering and handling of non-contract formulas. This enhanced level of security results in additional duties for the State nutritionist, but the level of effort is small relative to the cost of the formulas.

Sometimes participants do not pick up non-contract formula shipped to local agencies, or return unused formula to the clinic when the food prescription changes. Clinics may then have a stock of unused WIC formula on hand. Because these stocks have a substantial resale value, they should be inventoried to discourage participants or staff from taking them to sell, and these inventories should be periodically monitored by supervisory staff. While inventorying and monitoring divert supervisory staff from other job duties, and may require special storage areas, they reduce the potential for loss or undetected staff theft.

Chapter III

Benefit Issuance Controls

WIC benefits are generally issued to participants in the form of paper instruments that specify the food items in a monthly food package. The food package may be divided among several instruments, so that purchases can be spread out over the month. Usually, participants pick up their food instruments at a WIC clinic during a visit for certification or nutrition education. The participants redeem their food instruments for the prescribed foods at authorized stores. (A few States use non-retail delivery systems, such as home delivery or food distribution centers).

Two types of food instruments are most typical:

- WIC checks are formatted to be processed like regular checks through the banking system.

- WIC vouchers are submitted directly to the State agency, so they are formatted according to the State's needs (within the requirements of WIC regulations).

In this chapter, the text refers to both checks and vouchers as food instruments.

Several States are developing or operating electronic benefit transfer (EBT) systems for benefit issuance and redemption. In the EBT systems currently being pilot-tested in Wyoming, Nevada, and Ohio, each WIC household has a card with a computer chip to store the benefit prescription. Vendors are equipped with point-of-sale terminals, which process purchase transactions and (in some instances) load additional benefits to the card. Thus, the EBT card replaces the paper food instruments.

This chapter discusses the methods used to protect the integrity of the WIC benefit issuance process, which includes the handling, production, and distribution of the food instruments. (Benefit redemption practices are discussed in the next chapter.) The text focuses on the conventional process used in nearly all States. Although EBT offers greater security in several aspects of benefit issuance, it is not yet sufficiently mature to be presented as an enhanced control for widespread use. Readers can refer to several FNS documents for information on EBT.[3]

3.1 Background

As background to the discussion of basic and enhanced benefit issuance controls, it is helpful to review the nature of the vulnerabilities in the benefit issuance process and the available statistics on the prevalence of certain basic practices.

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[3]See the FNS website for resources (www.fns.usda.gov/wic).

Vulnerabilities of the Benefit Issuance Process

In the WIC benefit issuance process, several types of fraud or abuse may occur:

- Food instruments may be lost or stolen during storage, production, or shipment.

- Participants may receive excessive benefits if the food instruments do not match the prescription.

- Duplicate benefits may be issued if a participant falsely reports food instruments as lost.

- Food instruments may be issued to the wrong person through error or deliberate fraud.

- Food instruments may be altered or counterfeited to make unauthorized benefits available to the perpetrators.

Either participants or Program staff may be involved in any of these forms of fraud. Except for issuances to the wrong person that are not replaced, all of these vulnerabilities entail a loss of WIC funds.

Key Provisions of WIC Regulations

WIC regulations concerning food delivery systems (7 CFR 246.12) establish a number of requirements to ensure the integrity of the food instrument issuance process:

- State WIC agencies must establish standards for the security of food instruments and uniform procedures for participants to obtain them.

- Food instruments must be securely stored and transported, and equipment for producing food instruments must be protected from loss and misuse.

- To assure the security of food instrument stock and preprinted food instruments, WIC agencies must store them under lock and key and maintain perpetual inventories, conduct monthly inventories, and reconcile these inventories on a monthly basis.

- Each food instrument must contain specified information, including valid dates for use by the participant, the last valid date for submission by the vendor, a unique serial number, and the food items that may be purchased with the instrument. The food instrument may specify a maximum value and must provide space to record the price of foods, identification of the vendor, and the participant's signature.

- The participant or proxy must sign a receipt when food instruments are issued.

- Participants and proxies must receive instruction on proper use of food instruments and procedures for obtaining supplemental foods.

- State agencies must account for the disposition of all of their food instruments.

WIC regulations also establish several requirements to ensure that participants receive appropriate nutrition education and other services in conjunction with benefit issuance:

- Food instruments must be picked up in person when the participant is scheduled for nutrition education or certification. (This requirement also minimizes the mailing of benefits and the associated risks of losses.)

- The agency may issue no more than 3 months' food instruments at a time.

- State agencies may permit issuance to proxies when participants cannot come to the clinic, but the procedure must ensure adequate provision of nutrition education and referrals for health care to participants.

Data on Issuance Practices

Table 3–1 presents the available information on the various means of issuing food instruments by the States and ITOs as of 1998.

Table 3–1—Background statistics on issuance of food instruments

Practice	Percent of State agencies (including ITOs)
Use computer to print food instruments	92[a]
Print food instruments on demand	69[b]
Location of food instrument printing:	
All at clinic sites	40
Both State agencies and clinic sites	32
All at State agency site	22
Unspecified/do not print food instruments	6
Frequency of food instrument issuance:	
Monthly	27
Every 2 months	39
Every 3 months	18
Other cycle	11
Unspecified/do not print food instruments	5

[a]U.S. General Accounting Office, *Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 42; figure is for States only.
[b] USDA Food and Nutrition Service, *Profiles of WIC State Agency Information Systems, Fiscal Year 1997*, State Table 1; date reflect base of 48 States and District of Columbia.
All other data: USDA Food and Nutrition Service, *National State Agency Program Integrity Profile, 1998*. Responses were from 52 State agencies and 25 ITOs.

This table demonstrates the following general patterns:

- Nearly all States (92 percent) use computers to print food instruments.

- All food instruments are printed at local clinic sites in 40 percent of States; some or all food instruments are printed at a central State site in 54 percent of States.

- Bi-monthly issuance is most common cycle (used in 39 percent of States); monthly issuance is second most common cycle (used in 27 percent of States).

Some of these statistics represent standard practices that may be modified to meet special needs. Some agencies that use computers to print food instruments also use manually prepared food instruments in certain situations, such as for the issuance of therapeutic formula. An agency that uses bi-monthly or tri-monthly issuance as the standard practice may shorten the issuance cycle when a participant needs to be seen more frequently (e.g., high-risk pregnancies).

3.2 Overview of Controls for Benefit Issuance

Table 3–2 summarizes the principal controls for preventing and detecting fraud in issuing WIC benefits. The first column identifies the basic controls that are widely or universally used, including measures required by FNS. The second column identifies enhanced controls that can improve program integrity. Some of these enhanced controls are appropriate for most or all States, while in other cases there are multiple options for enhancing controls.

Table 3–2—Requirements and controls for benefit issuance

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Requirement: Uniform procedures for issuing food instruments		
Basic control: State agency establishes policy on who can issue food instruments and where and how they should be produced and issued	Require separation of duties for receipt of stock, assignment of food package, printing and issuance, voids, and other issuance procedures State agency authorizes specific staff to issue benefits after verifying training	Prevent one person from authorizing and issuing benefits or voiding and reissuing benefits; can be difficult to maintain in small offices or staff shortages. Requires controls in MIS, authorization procedure; limits flexibility of staffing.
Requirement: List authorized foods on food instrument; issue only prescribed benefits to certified participants		
Basic controls: Use computerized system to maintain certification data and print food instruments; verify participant	Print food instruments on demand at clinics using participant data from MIS	Eliminates vulnerability of preprinted instruments, voids for no-shows; requires on-site computer, printer and food instrument stock.

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
certification status before issuing	Provide MIS capacity to flag participant records and place hold to prevent issuance	Ensures that eligibility problems or complaints are resolved before additional benefits are issued; requires MIS programming, on-site access, and action to remove hold.

Requirement: Assure security of food instruments including locked storage. Store stock/instruments in locked cabinet or safe in locked cabinet		
Basic controls: Secure shipment and storage of food instruments; bill of lading used to verify receipt of shipments	Electronic transmission of shipping information	Prevents tampering with bill of lading; requires MIS capability.
	Require activation of preprinted serial numbers before food instruments can be printed	Prevents use of stock lost/stolen from shipments or inventory; requires MIS capability.
	Assign limited range of serial numbers to each site	Provides control over number of food instruments that each site can print.

Requirement: Food instrument stock with designated spaces for price of foods, identification of vendor, participant signature, and information necessary for redemption		
Basic controls: Preprinted stock with required spaces, name of State agency, and other redemption information; if checks are used, they meet banking standards	Use multiple security features in food instrument stock (watermarks, microline printing, color printing etc.) Rotate variable security features frequently Put 800 number for fraud reporting on food instrument	Prevents/detect counterfeiting and tampering; additional security features or messages on stock and rotation of features add modest cost.

Requirement: Unique serial number for each food instrument		
Basic controls: Preprinted serial number on food instrument stock; key in serial number to MIS before printing	Options: a) Print duplicate serial number on food instrument b) Scan serial number on instrument to synchronize with MIS c) Use unnumbered blank stock and print serial number at the time of issuance	All options reduce risk of mismatch between actual serial number and record in MIS; scanning requires software and wand/gun at issuance site. Printing serial number on blank checks eliminates need for tracking stock at item level; requires special ink and laser printer.

Requirement: Indicate valid dates for food instrument transaction and redemption		
Basic control: Standard dates for all food instruments issued for each month	Variable first-use and last-use dates set based on day of issuance, with first valid date for use of first set of instruments set to day of issuance	Provides flexibility in scheduling, enable immediate use of food instruments, prevent end-of-month rush; requires on-demand printing capability, programming to calculate dates

Requirement: Verify identity before issuance, obtain signature of participant, parent or proxy indicating receipt of benefits		

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Basic controls: Issue WIC ID folder with participant signature	Issue serialized, tamper-resistant WIC family ID	Prevents unauthorized or counterfeit ID; requires tracking system.
	Issue tamper-resistant WIC ID to each participant and each alternate authorized to apply and receive services on behalf of recipient	Prevents unauthorized or counterfeit ID; allows participants and alternates to retain control over their own WIC IDs; requires extra supplies.
Signature log with serial numbers of food instruments	Options: a) Participant signs each food instrument and local office retains copy as receipt b) Dual logging for issuance of preprinted or manual vouchers: master log plus receipt form for each participant record	a) Provides clearer proof of receipt for each instrument; consumes more time and paper b) Provides documentation at clinic level when master record is not available; consumes more time and paper.
Requirement: In-person pickup by participant or proxy when nutrition education is scheduled. Proxy procedure must ensure adequate nutrition education and health care referrals.		
Basic controls: Participant requests proxy issuance in writing; ensure that staff do not serve as proxies for participants	At certification, ask participants to complete proxy authorization form; verify designated proxies at each appointment attended by the participant.	In-person designation of proxy is more secure; minimal effort required.
	Proxy signs authorization form	Provide record of signature and acknowledgment of responsibilities; minimal effort.
Place the proxy's name and signature on the WIC ID folder	Require proxy to provide a photographic ID before picking up food instruments	Most secure means of identification; minimal effort; need procedure to deal with lack of ID.
Limit proxy issuance to a single month's benefits	Provide a separate WIC ID card for each regular proxy	Allows participant to retain control over own WIC ID, provides proof of proxy authorization; increases ID cost.
Requirement: Prevent redemption of voided, lost, or stolen food instruments		
Basic control: Clear policy on verification of loss and replacement	Strongest: no replacements except in case of documented disaster Use of sample formula in lieu of replacement when infants' food instruments are lost/stolen Alternative: replacement with affidavit of loss, time lag to determine if food instruments have been redeemed, and ability to detect lost/stolen food instruments presented after replacement	Feasibility of secure replacement depends on timeliness of redemption information, ability to detect lost/stolen instruments for denial of payment or recovery of funds; appropriateness of no-replacement policy depends on balance between risk of fraud and risk of harm to participants if benefits are not replaced.
Requirement: Account for disposition of all food instruments through perpetual inventory, monthly physical inventory of food instruments or stock, and reconciliation		
Basic controls: Record voids on signature log; manual inventory records for bulk food instrument stock; MIS maintains issuance records; monthly reconciliation, reporting and investigation of discrepancies	Daily reporting and reconciliation of issuances, voids, and inventory at issuance sites	Ensures timely detection of errors or theft; requires modest additional effort and automation.
	Weekly reports on participants who do not pick up food instruments	Ensures timely identification of no-shows for follow-up or investigation;

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
		requires modest additional effort and automation.
	End-of-month site-level and State-level summary reports of issuances, voids, and changes in inventory	Enables State agency officials to monitor patterns of activity and indicators of potential fraud.

The remainder of the chapter discusses these controls in the context of the issuance process. We begin by considering the basic structure of the food instrument production and issuance process.

3.3 Fundamental Choices Shaping Food Instrument Production and Issuance

State agencies make a series of fundamental choices that shape the processes for producing and issuing food instruments and thereby affect the kinds of controls that can be used. In establishing procedures for producing and issuing food instruments, agencies must make the following choices:

- Where and by whom are food instruments produced?
- Are food instruments produced manually or by computer?
- Are food instruments produced in batches or on demand?

These choices are not mutually exclusive. As noted above, a third of all States use a combination of central and local production. States can combine manual and computerized printing, and the latter can be a combination of batch and on-demand production. Also, food instruments can be partially pre-printed at a central site (with prescription information, valid dates, serial numbers, and clinic identifiers) and personalized at the clinic site.

The choice of centralized versus local production is the most fundamental, because it shapes the flow of the issuance process and the nature of its vulnerabilities. Given the need to issue food instruments in-person at the clinic site, centralized production requires the agency to produce food instruments in batches, ship them to local clinics, and store them prior to participants' appointments. In all but the smallest States, centralized production is feasible only if done by computer. With local production, each local agency must have the data for each food instrument, the food instrument stock, and (for computerized printing) the equipment and software to prepare the instruments. These requirements can be particularly challenging for sites that are used infrequently or lack secure facilities for storing stock and equipment.

Computerized production of food instruments requires a computerized MIS and printing capability, but this method has become nearly universal because of its advantages for program integrity and efficiency. When the MIS controls the content of the food instruments, the person issuing the instruments cannot increase the prescription, and there is an automatic record of production for each instrument. The MIS can prevent the same person from certifying a participant and producing food instruments, and it can control when and where the food instruments are printed. Manual food instrument preparation is slow and labor-intensive. With

manual preparation, the issuance can be recorded via a carbon copy, but storing these copies and constructing a comprehensive record of issuances are cumbersome and unreliable.

Batch production at the State or local level is easier to implement than on-demand printing, because there is no need for installing equipment and training staff to use it. Use of preprinted instruments can speed up the issuance process by eliminating the time needed to print each set of instruments. This method also simplifies control over food instrument stock and printing capability.

On the other hand, the batch system has several important vulnerabilities. Food instruments produced in batches are easier for a thief to redeem and therefore more vulnerable to theft before they are issued than the blank stock used for on-demand printing. With a batch system, the agency must void and dispose of food instruments that have been prepared but not picked up. Also, batch systems cannot produce complete food instruments for new participants or for those whose prescriptions are changed at the time of their appointments, so food instruments must be manually prepared in these instances. Batch systems do not have the flexibility of on-demand systems, such as the capability to hold food instrument printing until the participant provides needed documentation.

Table 3–3 summarizes the controls available through each of the three principal methods used for producing WIC food instruments. As the table shows, the on-demand computer printing method is the most secure, while the manual preparation method is the least secure. The on-demand system eliminates the risks associated with handling preprinted instruments, which represent the biggest challenge for centralized batch production. The reduced level of security that comes with decentralized on-demand printing is offset by the ability to enforce the separation of duties through security profiles (e.g., staff authorized to certify can be prohibited from issuing food instruments).

The on-demand system is also more flexible than the centralized batch system, primarily because food instruments can be changed or canceled at the time of the participant's visit. Lastly, the on-demand system eliminates the time-consuming process of voiding and accounting for preprinted food instruments that are not picked up by participants. These advantages explain why on-demand printing has been increasingly adopted by State agencies in recent years.

Table 3–3—Comparison of controls for principal food instrument production methods

Control	On-demand printing by computer at clinic	Batch production by computer at central location	Manual preparation of food instruments at clinic
No negotiable instruments exist until the time of issuance			
Physical separation of certification and instrument production			
Single location for production (easier to secure)			
MIS prevents issuing benefits not authorized by			

CPA			
MIS can enforce separation of duties between certification and issuance			
MIS can control when instruments can be produced			
Uses most up-to-date participant information			
Automatic master record of instrument data and production information (location, time and worker)			
No voids for no-shows and food package changes			
Immediate recording of voids on MIS			
No manual issuances			

3.4 Food Instrument Security Controls

WIC regulations require all State agencies to maintain the security of food instruments and to ensure that they can account for the disposition of all food instruments. Furthermore, State agencies bear the costs when food instruments are stolen and used by unauthorized persons.
State agencies can maintain the security and accountability of food instruments through several types of controls:

- physical controls on access to food instrument stock and to negotiable instruments
- procedural controls restricting the number and types of staff who have access to instruments
- record-keeping procedures that identify the location and status of unissued instruments, and help identify any instruments that may have been stolen or otherwise misappropriated
- MIS controls that prevent instruments from being issued and used without proper authorization.

Physical Access Controls
At the most basic level, food instruments need to be kept secure. This requirement applies to both blank stock and completed instruments ready to be issued. Completed instruments are the most vulnerable, but blank stock could potentially be used for unauthorized issuances. Voided instruments are less vulnerable, but they retain some potential for abuse. Physical access controls are needed at each point in the food instrument production process from initial procurement through issuance.

Basic controls to limit physical access to food instruments include:

- secure production facilities for blank stock or preprinted instruments
- locked storage for food instruments while in inventory at the clinic.

Security of food instrument shipments can be enhanced by using a shipper that allows each package to be identified and tracked, or by having trusted staff deliver the shipments by hand. Storage of food instruments while in inventory at the clinic level can be enhanced by establishing

a standard of two levels of security (such as keeping food instruments in a locked cabinet or safe within a room with a locked door or other access control). When food instrument stock is in use, it can be protected by keeping it in locked printer stands.

Another important form of physical control is the use of design features that prevent the duplication or counterfeiting of food instruments. State agencies can use a variety of security features for this purpose, including watermarks, color printing, microline printing, ultraviolet inks, and patterned paper. Some of these security features are basic to any system using checks, because of the requirements for processing by banks and the standard practices of check printers.

Enhanced solutions to reduce the risk of counterfeiting include the use of multiple security features and the frequent rotation of food instrument design (such as changes in color patterns or in text for watermarks or microline printing). A different sort of enhanced design feature is the printing of an anti-fraud message on the stock, such as a toll-free number to report fraud. Agencies have found that these enhanced security features can be used without a significant increase in cost.

Procedural Controls
Procedural controls on food instrument inventories serve to provide checks and balances, both to prevent insider fraud and to detect fraud or theft by outsiders. At the most basic level, agencies assure accountability by specifying who is responsible for food instruments at each step in the issuance process. It is particularly important to have designated local staff who receive and check shipments of food instruments. To the extent that staffing permits, program integrity can be enhanced by mandating that staff who control the stock of food instruments should not have the ability to print or issue them.

Good communications between State and local agencies can help detect any compromising of the security of food instruments in shipment and in local inventories. State agencies use the process of ordering food instruments to maintain control over the size of local agencies' inventories, thereby reducing the risk of losses. As a basic control, invoices or bills of lading generally accompany shipments of food instruments. A useful and inexpensive enhancement is to send a separate confirmation by electronic mail or facsimile, so that delayed shipments are promptly identified and thefts cannot be concealed by altering the documents accompanying the shipments. These practices are most relevant to shipments between State and local agencies (or between State contractors and local agencies), but they are also useful for large local agencies that distribute instruments to clinics from a centralized inventory.

In a sense, the centralized production of food instruments is a control that limits access to blank food instruments and to the capability to print negotiable instruments. On the other hand, it is not feasible for all food instruments to be centrally printed, because of new certifications and prescription changes. As a result, partially or completely blank food instruments must still be available at local offices, and these instruments require stronger controls because of their greater potential for abuse. In addition, the presence of preprinted, fully negotiable food instruments poses another significant security risk. Sound controls in this context include: use of blank instruments preprinted with standard prescriptions, direct shipment of preprinted instruments to

local agencies (minimizing the risk of interception) or hand delivery from a central office, strict accountability of individual staff for both fully preprinted and blank food instruments, and daily recording and reporting of issuance activity.

Recordkeeping Controls

Recordkeeping controls provide documentation procedures for handling food instruments have been followed and establish accountability for who has access to food instruments at different processing stages. Both manual and computerized records are needed, to ensure that if one set of records is lost or altered, the other can provide a back-up and cross-check.

Important records of food instrument status include:

- order forms or computerized requests with identifiable individuals requesting instruments and approving requests

- shipping documents indicating all pertinent information to establish a trail for audit or investigation purposes, as well as to verify that the shipment received matches what was sent

- logs showing receipt and release of food instruments

- records of periodic inventory counts, including identification of the responsible officials and explanations of any discrepancies.

The assignment of a unique serial number to each food instrument establishes the foundation for keeping records of food instrument production, shipments, inventories, and issuance. As discussed in the next section, MIS features provide basic and enhanced ways to assign serial numbers to food instruments and to synchronize these numbers with the issuance records in the WIC MIS.

MIS Controls

MIS controls can help to enforce procedural controls and support recordkeeping on food instruments, particularly in systems that print food instruments on demand. At the most basic level, computerized printing of food instruments provides a control by requiring MIS access in order to produce a valid food instrument.

Several MIS features can provide useful enhancements to the controls over food instrument inventories:

- Automated ordering of food instruments based on use

- Requirements to enter shipments when sent and received before the associated serial numbers can be used

- Capability to assign serial numbers for the sole use of a single issuance site

- Security profiles that limit authorization to ship and receive food instruments

- Requirement to activate serial numbers before food instruments can be used (e.g., when boxes of instruments are in inventory but individual instruments are not identified and therefore not available until the box is "expanded").

If the MIS has the capability to print all information on the food instruments, including the serial number and the text and graphics that appear on every food instrument, it makes the paper stock less vulnerable to abuse. This control comes with a significant price: it requires more costly, less reliable, and slower printers than the more typical system of stock with preprinted serial numbers and formatting. On the other hand, using stock without a preprinted serial number ensures that the system-assigned serial number will always match the printed serial number.

Mismatches between these numbers when the serial number is preprinted are rare but time-consuming to resolve when they occur. In an on-demand printing system, the basic way to synchronize food instrument serial numbers with issuance records is to enter the serial number of the next available instrument when beginning to issue benefits for a participant. To prevent key errors, one enhanced solution is to enter the serial number of the first and last food instruments issued to a participant via a hand-held scanning device (provided that the serial number is bar-coded). Another enhanced solution is to have the MIS print a duplicate serial number on the food instrument, so that any mismatches can immediately be identified and corrected.

In systems where food instruments for continuing participants are printed centrally, the automated capability to print vouchers locally for new participants or those needing prescription changes provides a significant enhancement over the use of manually prepared food instruments for these purposes. This technology reduces the effort while ensuring that the food instruments are prepared by authorized persons and recorded in a reliable, tamper-resistant medium.

Each food instrument must have designated first and last dates for use. The basic approach is to have standard dates for all instruments issued during the month. This usually requires a system whereby food instruments issued during a given month are not valid until the beginning of the next month. As a result, participants sometimes attempt to transact instruments before they are valid, and there is sometimes a heavy volume of participants seeking to pick up food instruments around the end of the month. These problems can be prevented by an MIS enhancement that sets the first use date for the first month's instruments to the day of the issuance pickup. For an on-demand system, this feature is easily incorporated, and it provides greater flexibility in scheduling appointments.

3.5 Post-Production Issuance Process

Once a participant has been certified and the food package has been prescribed, there are four distinct steps that must take place to issue benefits: producing the food instruments, verifying the identity of the participant, issuing the instruments to the participant, and obtaining the participant's signature to document receipt. The controls for food instrument production were

described earlier in the context of the discussion of the different types of processes adopted by State agencies. In this section, we consider the controls applied after the instruments have been produced to ensure that participants get the correct instruments and that they acknowledge receipt of their issuances.

Physical Controls
Structuring the workspace for staff who issue food instruments poses a challenge. The issuance staff members need to be in a location that is readily accessible to participants, since many of them serve WIC participants in other ways, such as making appointments, answering phone calls, and checking in participants. Placing issuance staff in a high-traffic location also provides a measure of security against staff fraud, because the risk of being observed by other staff or participants serves as a deterrent. At the same time, the instruments, production equipment, and records need to be kept safe from damage or unauthorized access. Where possible, clinics are designed to provide controlled access to the issuance area through the placement of counters, windows, and doors. When physical means of access control cannot be built in, strategic placement of furniture can serve the same function, as can the placement of issuance staff in clusters where each can help watch for any attempts at inappropriate access.

Procedural Controls
At the most basic level, State agencies specify what kinds of staff may issue food instruments. Where staffing permits, accountability is enhanced by having designated staff responsible for printing and issuing food instruments, either on a daily basis or on more long-term assignments. Enhanced approaches to the separation of duties include the following:

- The person printing the food instruments does not actually issue them, but instead another staff member at the same workstation checks them and obtains the participant's signature.

- A support staff member prints the food instruments for a group of participants in a nutrition education class, and then the person leading the class distributes the food instruments and obtains signatures to acknowledge receipt.

- Local staff members are required to demonstrate competence in following issuance procedures and obtain authorization from State officials before they are allowed to issue the instruments.

- Staff members who are WIC participants do not print their own food instruments; the preferred procedure is to have a supervisor do this to ensure the integrity of the process.

Participants generally must provide identification when picking up food instruments, but a variety of approaches to identification are used. Perhaps the most common approach is to issue a WIC folder at the time of certification. This folder has the participant's name, individual and group numbers, and signature, and is stamped or otherwise authenticated by the local agency. The information on the folder is usually recorded by hand. The participant presents the folder as identification when checking in and when picking up food instruments. The folder has space to

hold the food instruments and useful information, such as appointment slips, approved food lists, and notices.

Some agencies use other forms of identification that provide better protection against issuing food instruments to the wrong person, either by error or because of deception. These enhanced controls include:

- Requiring a driver's license or other photographic ID for food instrument pick-up.

- Issuing a tamper-resistant laminated ID card for identification at the WIC clinic and at the store.

Because of its smaller size, a WIC ID may be less obvious to non-WIC shoppers and, therefore, cause less stigma than a WIC folder. The ID may be issued to a single family member (like the folder) or to each participant and each alternate authorized to apply for a participant and receive nutrition education on his or her behalf (such as when either of a child's parents may perform these activities).

WIC agencies need to provide procedures for participants to allow proxies to pick up their food instruments when the participant cannot do so because of illness or other legitimate constraints. (Here we do not refer to instances where an infant or child is always represented by a parent or guardian.) The procedures need to ensure also that nutrition education is delivered and that food instruments are issued only to proxies authorized by participants. The basic procedures typically include:

- Having the participant write a note requesting issuance to the proxy.

- Ensuring that staff do not serve as proxies for participants.

- Placing the proxy's name and signature on the WIC ID folder.

- Limiting proxy issuance to a single month's benefits, both to minimize risk of theft and to ensure that the participant gets the scheduled nutrition education (unless the proxy is authorized to receive nutrition education on behalf of the participant).

Enhanced controls to prevent theft or other abuse by proxies include:

- At the time of certification, asking participants to designate alternates on a form for this purpose and having the alternate sign the form.

- Verifying designated proxies at each appointment attended by the participant.

- Requiring proxies to provide a photographic ID before picking up food instruments.

- Providing a separate WIC ID card for each authorized shopper.

Recordkeeping

All WIC agencies must have a signed receipt or similar document of issuance indicating the participant's name, the date, and the serial numbers of the food instruments. Under the basic approach, the participant signs a log indicating the serial numbers of the food instruments. Greater assurance of the match between participant and instruments is provided when the participant signs a check stub retained by the agency or signs the instrument and leaves the agency a carbon copy. Enhanced receipt controls include: printing additional information on the stub (such as participant ID number, family ID number, clinic name/code, and worker ID number); and obtaining a signed copy or stub for each instrument.

Receipts may be kept together in batches or filed with individual participant records; the latter system may require more filing effort but can be helpful if automated participant records of issuance are not available at the clinic. The system of dual signatures provides proof of receipt for each instrument and provides a signature on the food instrument to be matched against the signature provided when the instrument is redeemed. However, this system makes it more complicated to transact food instruments when the person who picked up the instruments cannot do the shopping.

MIS Controls

Beyond the most basic role of assuring that all issuances are authorized and accurate, MIS capabilities can be used to provide the following controls for the issuance process:

- Enforcing the separation of duties through user profiles that restrict access to sensitive functions (e.g., prohibiting certification and food instrument printing under the same system ID, prohibiting administrators with access to security profiles from issuing food instruments).

- Enabling a worker to place a hold on issuances for a participant until the participant complies with a program requirement (documentation, immunization, etc.).

- Automatic proration of benefits when a participant picks up food instruments after the beginning of the month for which they are valid.

- Linking the ID check with the issuance process by using a scan of the ID to link the food instruments with the participant.

- Providing daily reports to reconcile data uploaded by the clinic with data posted by the host.

3.6 Void and Replacement Procedures

When a WIC food instrument must be voided, the process always carries the risk that the voided instrument may be redeemed, resulting in a loss to the Program. Anecdotal information suggests that redemption of unclaimed or returned instruments that were supposed to be voided has been one of the most common forms of staff fraud in the WIC Program. WIC agencies have used

sound controls to greatly reduce the incidence of these and other problems with voided food instruments.

The key elements of policy and procedures regarding voids include:

- Specifying when and how voided food instruments can be replaced.

- Specifying which staff have the authority to void.

- Developing procedures for marking food instruments as void and subsequent handling.

- Developing procedures for recording voids on the participant database and reconciling with voids in hand.

Food instruments may be voided for a variety of reasons. In many cases, there is no reason to consider replacement. These include: damaged or unusable stock, expired food instruments preprinted for no-shows, transfers out of the State, and suspension of benefits for individual participants. On the other hand, replacement of instruments presented for voiding is the usual and safe practice in cases involving changes of food package or damaged instruments (or, in some States, a change of the designated vendor for redemption).

The most sensitive void situation occurs when a participant reports that food instruments have been lost, stolen, or destroyed. The risk, of course, is that the original instruments may be fraudulently redeemed by the participant or some other person. This risk is particularly significant if the redemption process does not permit the State agency to block instruments from being redeemed once they have been issued. On the other hand, if a legitimate need is not addressed, the participant may not receive enough nutritious foods, particularly if the missing voucher is for infant formula.

Different States balance these competing needs in different ways.

- Some States prohibit replacement of missing food instruments. They may address emergency situations by providing referrals to food banks or by providing infant formula from on-hand inventories.

- Other States prohibit replacement except when the loss is the result of a verified household disaster or if the participant provides a valid police report.

- Some States permit replacement if the participant submits an affidavit of loss and waits for a specified time. The waiting period prevents frivolous claims (alleging loss when the participant forgot to bring the instruments on a shopping trip) and allows time to verify that the food instruments have not been redeemed. This policy is most viable if the agency has the capability to prevent food instruments from being redeemed in a timely fashion by transmitting void information to the bank or other entity processing redemptions.

Limiting the authority to void food instruments is important to prevent staff fraud, particularly when the food instruments will be replaced. If the same individual can void food instruments and issue replacements, there is an increased risk that the voided instruments will be redeemed. At a minimum, there needs to be a clear record of responsibility for each physically voided instrument and each void transaction on the MIS. Security is enhanced when the authority to void is limited to as few staff as possible at any given time, and when these staff do not simultaneously have the authority to produce or issue food instruments. A supervisor can be designated to perform this function, or the authority can be rotated periodically among the issuance staff.

The basic practice is to mark food instruments as void by stamping them. Vendors are instructed not to accept such voided instruments. This step is usually required by State procedures before in-hand food instruments are electronically voided on the MIS. If the local agency does not have MIS access, it must send the voided instruments to the central data entry site. Once these steps are accomplished, some agencies file voided food instruments for reconciliation purposes, but other agencies destroy them.

The former approach facilitates problem resolution, but the latter approach precludes the use of voided instruments and saves space. If voids are retained at least until the next reporting cycle on the MIS, the local agency can and should reconcile the void report against the voids in hand. This step is particularly important to detecting valid food instruments that have been accidentally voided on the MIS before those instruments are presented for redemption and improperly rejected.

The risk of voided instruments being redeemed is fairly low, but agencies need reliable ways of tracking this problem. For this purpose, the timeliness of the void information to the central database is important. A daily or real-time transmission of this information provides an enhanced control to prevent the redemption of voids and greatly facilitates the monitoring and reconciliation of void activity.

3.7 Reporting and Reconciliation of Issuance Activity

The other important aspect of issuance recordkeeping is the reporting and reconciliation of issuance activity. WIC requirements include perpetual inventory of preprinted instruments or stock, monthly physical inventory of instruments, and accounting for the disposition of all food instruments. To maintain proper accountability, these processes need to occur at both the clinic and agency levels.

Conducting a monthly physical inventory of each supply of instruments is a mandatory basic control used in all systems. In on-demand systems, the MIS internally maintains the data to meet the other requirements, but other systems require manual procedures to compile the data. For batch and manual issuance systems, clinic staff may need to compile issuance reports, maintain logs, enter issuance data to a computer, or ship documentation from the clinic to the site where the master database is maintained. If data entry is not done at the clinic level, it must be done at the local agency or State level to update the master database.

The frequency of reporting and information transfer to the State agency is critical to maintaining the integrity of the database and the controls that it provides. The most basic practice is a monthly reporting cycle. Some agencies perform this process weekly, while others do it daily. The former approach reduces effort and may be appropriate for low-volume or part-time sites, but the latter approach provides better accountability and enables the State agency to respond promptly to inquiries.

An important enhancement provided by on-demand systems is an automatic daily report of issuance activity at the clinic level, usually generated as part of an end-of-day closeout process. If the State uses a distributed MIS, this process includes the uploading of the day's activity to the master database. The daily report typically includes both item-level detail on each food instrument (including associated participant and worker IDs) and summary information.

Other beneficial enhancements to issuance reporting and reconciliation at the local level include:

- Transmitting the daily report to the local agency director or clinic supervisor for review.

- Balancing the daily issuance report against check stock and signature logs or receipts.

- Reviewing daily signature logs or receipts for proxy signatures and, for these instances, checking files for proxy authorization documentation.

- Providing daily reports on inventory usage and status to be reconciled with physical inventory and to monitor inventory levels.

- Balancing a daily report of voids against the voided vouchers in hand and other documentation.

- Providing weekly reports on participants who miss scheduled check pick-ups to local supervisors, to ensure follow-up and identify potential problems.

- Monthly summary reports at the site, local agency, and State levels to monitor patterns of activity and indicators of potential fraud.

If food instruments are preprinted, local agencies need to perform an end-of-month closeout process to void expired instruments and account for them. This process can be used as a prompt to follow up on no-shows.

At the State level, item-level issuance data are important to maintain audit trails and facilitate problem resolution, but summary data from reconciliation reports are more useful for monitoring and fraud detection. For example, a report of individual voids is important at the local level for reconciliation with physical documents, but data on the distribution of voids by reason are more useful for State monitoring. At the same time, the State agency's access to comprehensive data on all vouchers is important for resolving questions that may arise in the field.

The timeliness and reliability of database updates in on-demand issuance systems greatly facilitate effective oversight from the State agency. Through summary versions of the local agency reports, State agency staff can monitor food instrument inventories, fluctuation in participation, no-show rates, and voids and replacements. It is helpful to have this monitoring done by State agency staff with local agency experience, because these staff can anticipate common problems and communicate effectively with their peers at the local level.

Chapter IV

Transaction and Redemption Controls

WIC participants typically obtain the supplemental foods prescribed for them by presenting their food instruments to an authorized vendor. As described in the preceding chapter, the WIC agency records the participant's prescription on the food instruments and issues them to the participant. The vendor records the purchase amount on the food instrument and presents it to a bank or the WIC agency for payment.

The participant is responsible for selecting only the foods listed on the food instruments for purchase, and for making sure that the specific brands, sizes, and varieties are approved. The vendor (in particular, the cashier) is also responsible for enforcing these requirements. In addition, the participant and the vendor are both responsible for ensuring that the purchase amount on the completed food instrument is correct, and that the WIC Program is not charged for any items listed on the food instruments that are not taken by the participant.

Because there is no direct involvement of WIC staff in the process of transacting food instruments for WIC-approved foods, this is a point particularly vulnerable to fraud and abuse. Controls to prevent fraud and abuse at this point typically involve the cooperation of participants or vendors. In deciding what controls to use, State agencies must weigh several factors. These include: what practices are reasonable to ask of participants and vendors, who has the most to gain by complying, who has the most to lose by noncompliance, and what measures are available to detect noncompliance.

This chapter discusses the controls that can be used by State agencies to prevent fraud and abuse in the transaction and redemption processes. It addresses the feasibility of implementation of these controls and issues that must be considered prior to their implementation, particularly the need to control for fraud and abuse in such a way that participation is not impeded.

Some types of participant fraud and abuse involve collusion with the vendor. Vendors can prevent certain types of participant fraud and abuse from occurring by properly following transaction procedures. For these reasons, this chapter presents a brief discussion of controls that focus on preventing and detecting vendor fraud. The main focus of the chapter is on the transaction and redemption controls that directly address fraud and abuse by participants and staff, in keeping with the focus of this report.

4.1 Background

This section summarizes the vulnerabilities in the transaction and redemption process, the applicable provision of WIC Program regulations, and the prevalence of basic controls among State agencies.

Vulnerabilities of the Transaction and Redemption Processes

In the WIC transaction process, participants may commit any of several types of fraud or abuse. Some participant violations are minor abuses:

- Using WIC food instruments for the wrong size, variety, or brand of food.
- Using WIC food instruments before or after their designated use dates.
- Acting in an abusive manner toward a store employee.

The more serious types of participant fraud and abuse include:

- Using food instruments for non-WIC foods or non-food items, with the most serious violation being the purchase of alcohol or tobacco products

- Selling food instruments to vendors or other persons for cash (i.e., trafficking)

- Returning or selling foods purchased with WIC benefits to obtain cash or nonfood items

- Allowing an unauthorized person to use one's WIC food instruments

- Using counterfeit food instruments.

Most of these forms of fraud and abuse involve the cooperation of vendors, through carelessness or intentional collusion. Because the vendors represent the "funnel" through which fraudulent transactions must pass, much of the effort to prevent participant fraud and abuse focuses on ensuring vendor compliance.

In addition, several forms of fraud and abuse may be perpetrated by vendors without the knowledge of participants:

- Charging more than the shelf prices when foods are purchased with WIC benefits.

- Charging for items on food instruments that are not taken by participants.

- Altering food instruments after the sale to increase the redemption value.

- Imposing special conditions on WIC participants, such as not accepting WIC food instruments in lanes where other non-cash payment is allowed.

Local WIC staff usually have few opportunities to commit fraud or abuse in the transaction and redemption processes, because these are outside the scope of their responsibility, unless they are involved in authorizing vendors. State or local WIC staff who authorize vendors may engage in collusion with them to overlook or facilitate violations. The principal risk of WIC staff involvement in transaction fraud is that staff may transact unclaimed, unauthorized, or voided food instruments with the cooperation or collusion of a vendor. The controls against this

vulnerability are discussed in the chapter on issuance controls. Other controls on staff fraud are addressed in the chapter on local agency management and oversight.

Key Provisions of WIC Regulations
WIC regulations concerning the transaction and redemption of food instruments (7 CFR 246.12) establish numerous requirements for the processes, as summarized below.

- The State agency is responsible for educating participants and proxies on the proper use of food instruments.

- A participant or an authorized representative must sign the food instrument at checkout as proof that the charge is correct and the transaction is authorized.

- Only vendors authorized by the State agency may transact and redeem food instruments.

- Vendors must provide only the authorized foods specified on the food instrument.

- Vendors must provide WIC foods at (or less than) the current price charged to other customers.

- Vendors must participate in training on WIC procedures and provide training to cashiers or other staff.

- Vendors must be accountable for the actions of their employees in reference to transaction of food instruments.

- Vendors must be monitored for compliance with WIC Program rules.

- The State agency may conduct compliance purchases.

- Retail vendors must provide access to shelf price records.

- The State agency may specify a maximum purchase price for individual foods or for food instruments, such that the maximum is higher than the actual cost of the food but low enough to prevent loss of funds.

- State agencies must implement requirements to ensure that the price of the foods purchased is documented on the food instrument at the time of transaction.

- State agencies must implement requirements to ensure that the redeeming vendor is identifiable on every food instrument.

- State agencies must implement a system to detect overcharges and identify vendors with unusual amounts of overcharges.

Data on Participant Redemption Fraud

Previous studies have examined fraud and abuse in the transaction and redemption process, and the controls in place to detect and prevent it. According to the U.S. General Accounting Office, between October 1996 and September 1998, an estimated 2,049 participants were known to have exchanged food instruments for nonapproved or nonfood items.[4] An estimated 233 participants were known to have exchanged food instruments for cash. Dollar amounts of the losses involved were not included. These numbers are quite small relative to the 7.4 million WIC participants in 1998, but they represent only the instances of participant fraud that were conclusively established. The GAO data indicate that a much larger proportion of vendors were found to have committed WIC fraud or abuse. The GAO survey found that State agencies had identified 3,771 vendors as having committed fraud or abuse, or about 9 percent of all vendors, over the period from October 1996 to September 1998.

4.2 Fundamental Choices Shaping the Transaction and Redemption Processes

State agencies make some fundamental choices that shape the transaction and redemption process and the kinds of controls that can be used. These choices include:

- Does the State agency use retail delivery?

- Do participants have to choose a specific vendor or can they transact food instruments at any authorized WIC vendor?

- Do vendors submit food instruments through the banking system or to the WIC agency or its contractor?

The food delivery method is one of the fundamental choices made by State agencies and is the choice that shapes the controls needed in the transaction and redemption processes. Most State agencies use the retail delivery system, so their processes and controls relating to transaction and redemption must take into consideration the external element in the process: the vendor. As neither an employee of nor a participant in the WIC Program, the vendor represents a third party whose compliance is critical to the integrity of the process. WIC staff cannot routinely observe the interactions between participants and vendors, so the retail delivery system requires controls that prevent fraud through education and deterrence, buttressed by systems to detect and prevent fraud through the monitoring of redemption data and visits to targeted stores.

State agencies make decisions about where a participant can transact food instruments. Vendors are authorized through a contracting process. As an additional control, a State agency can require that participants choose a single vendor for all their instrument transactions. Such a system is intended to deter trafficking and other violations and make them easier to identify. A drawback of this system is that each time a participant changes vendors or a vendor leaves the Program,

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[4]U.S. General Accounting Office (GAO)*, Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*.

new food instruments must be issued to replace the unused ones, and this represents a burden to local agencies. Another factor is the convenience for participants when they can shop at any authorized WIC vendor. In addition, vendors may be concerned that vendor-specific vouchers may limit competition for WIC customers. For these reasons, most agencies do not issue vendor-specific food instruments.

State agencies must decide how to handle submission of food instruments by vendors for payment. Payment of food instruments can be processed by the State WIC agency, or by a company contracted by WIC to perform this service. Food instruments can also be processed through a banking system. As discussed in the chapter on issuance, the former system uses vouchers and the latter system uses checks. If the State WIC agency processes the food instruments for payment, it has the most direct control over how this process works. If the WIC agency contracts an outside company to perform this function, there is less day-to-day control over the process, but the State WIC agency has similar capabilities to ensure that fraud control checks are performed before vendors are paid.

The State WIC agency can set performance requirements for the contractor and conduct audits to verify compliance. If food instruments are being processed for payment through a banking system, the State WIC agency benefits from the security and integrity provisions of that system, but the State agency may have to compromise some desired requirements so that the process fits within the bank's established processing system. Due to the large volume of food instruments that must be processed, controls must be designed with efficiency of processing in mind, regardless of who is doing the processing.

4.3 Controls on Participant Fraud and Abuse in Transaction and Redemption

Table 4–1 summarizes the principal controls for preventing and detecting fraud and abuse by participants in transacting and redeeming WIC food instruments. The first column identifies the WIC Program requirements and the basic controls that are widely or universally used. The second column identifies enhanced controls that can further improve program integrity. Some of these enhanced controls are appropriate for most State agencies, while in other cases there are multiple options for enhancing controls. As discussed later in this chapter, these controls are supplemented by other controls that target vendors involved in fraud and abuse.

Table 4–1—Requirements and controls on participant fraud and abuse in the transaction and redemption process

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Requirement: Education of participants about proper use of food instruments		
Basic control: Provide list of authorized foods	Options: a) Provide brochure with pictures of authorized foods b) Use instructional video or live instruction at certification c) Use samples of authorized foods in	Helps participants identify the correct foods to purchase. Helps educate participants with limited literacy.

	nutrition education	
	d) Use quiz at the end of instruction	Confirms participants' understanding of instruction. These options represent an increased cost to the program in dollars, but save staff time through group education and reduced need for counseling.
Requirement: Participant or authorized representative signs food instrument at checkout as proof of correct charge and authorized transaction		
Basic control: Provide WIC ID folder signed by participant and authorized representatives at WIC office	Options for establishing authorized signature for vendor to check at transaction:	
	a) Provide WIC ID card with signature to each authorized shopper	Separate ID for each shopper is more secure and can make transaction of WIC benefits less obvious; requires WIC office to issue ID to each shopper, a minor additional cost to the Program.
	b) Participant or authorized representative signs food instruments at issuance as well as at transaction	Most secure control against unauthorized transactions, but complications arise when the person signing instrument at issuance can not do shopping; requires extra time at issuance.
Basic control: Specify maximum value for food instrument (printed on instrument or available only to WIC redemption authority via database)	Set maximum value according to food package Use current price information to set maximum value	Fine-tuning maximum value helps prevent overcharges and alteration of instruments. Requires more information and produces more "false positives"
Requirement: State Agencies must establish procedures designed to control participant violations		
Basic control: Establish a process for reporting fraud and abuse	Options: a) Provide toll free number to register complaints b) Implement complaint form for use by staff receiving reports of fraud	Provides staff, participants, and vendors with a vehicle for reporting fraudulent activity or expressing concerns when fraud or abuse is suspected. Requires investment of staff time to receive, evaluate and investigate complaints.

These controls are described in detail below.

Education of Participants

When a participant has been certified for WIC, staff members are required to educate the participant about the policies, procedures, rules, and regulations of the Program. The part of this education relevant to the food instrument transaction process can serve as a control against intentional or unintentional fraud and abuse.

Participants must be trained in the proper use of WIC food instruments, but this education takes time. The agency must ensure that its education of participants does not disrupt clinic flow. New WIC participants must learn a lot of rules, regulations, and procedures and remember them over

the following months. The foods approved for WIC purchases can be confusing, especially to new participants. Even veteran participants may need follow-up training, because the list of approved foods can change from time to time.

Proper, repeated education of WIC participants is important to ensuring that only approved foods are selected. At a minimum, the State agency produces a list of approved foods, specifying brands, varieties, and sizes where appropriate. The local agency distributes this list to participants when they enter the Program and when the list is updated. An enhanced version of this control is the provision of a brochure with pictures of approved WIC foods, making it easier for participants with limited literacy skills to recognize the right packages. These brochures can be made of a size that can be easily folded and kept in the WIC ID folder for reference while shopping. The inclusion of pictures on the brochure increases the cost of production, but the payoff is an increased likelihood that participants will select only WIC-approved foods, as well as making the Program more user-friendly for participants.

Food lists, even with photographs, and other handouts are not likely to provide adequate instruction, so WIC staff need to explain shopping procedures and verify that participants understand. This instruction may be done during the certification process, but time and other considerations are likely to limit the effectiveness of this approach, particularly where client flow is a major concern. Several alternatives can enhance the effectiveness of the training for participants on transaction procedures:

- Providing live instruction in a classroom setting

- Using samples of approved and nonapproved foods in a simulated grocery setting, especially when integrated with nutrition education about the value of the foods

- Using a video to show the entire process of transaction, including selection of authorized WIC foods, separating foods at checkout, and using food instruments to pay for them

- Including a quiz to test participants' knowledge.

Group education through use of classroom instruction and/or use of a simulated grocery setting requires that agencies set aside room for classes or grocery samples, at least for a portion of the day. The group education approach allows for the education of multiple participants by one staff member, resulting in a more efficient use of staff time. Education of participants serves as a control against inadvertent purchase of the wrong foods through ignorance, thereby reducing the amount of staff time needed for counseling. Repeated education also provides strength to the sanctioning process if a repeat offender claims ignorance of the approved foods.

Check-out Procedures
According to WIC Program regulations, the total price of the foods being purchased must be recorded on the food instrument, and the instrument must be signed by the participant or authorized representative as confirmation of the price and as evidence of who used the instrument. As a basic control for ensuring that the food instrument was transacted by the proper

person, agencies frequently provide participants with WIC ID folders. These folders are signed by the participant and any authorized representatives while at the clinic, so vendors can verify the signature on the food instrument against that on the folder.

The State agency may seek to enhance controls at check-out by having the participant fill in the price on the food instrument before signing it, because then overcharging will require the cooperation of the participant. This rule is difficult to enforce, however, and may create problems when participants record the wrong amount. Moreover, if the cashier overcharges when ringing up the WIC items, it will be difficult for the participant to detect the overcharge.

A variety of controls are used to enhance the signature process as a way of verifying that the person presenting the food instruments is authorized to do so. These procedures must accommodate situations when the participant (or the participant's normal caretaker) cannot shop and must send a proxy.

- The local agency may issue a WIC ID card to each participant or other authorized shopper, with the user's signature recorded at the local agency. These cards can be designed so that they are recognizable to cashiers but less obvious than a WIC ID folder to other shoppers, as a way to reduce the likelihood of the participant's experiencing stigma because of being identified as on WIC. Issuance of a separate card to participants and their authorized representatives represents a slightly increased amount of staff time. Issuing multiple cards to each family may increase supply costs, depending on the card design, but shopper cards can be made more tamper-resistant than WIC ID folders.

- The participant or proxy may sign the food instruments twice: once upon receipt at the local agency and once at the store after the price is filled in. This approach provides the greatest assurance that the person signing the food instrument at the store is authorized to do so. However, many State agencies have not adopted this practice because it increases the time to issue food instruments, it requires special procedures when the participant cannot shop, and there is doubt about how well cashiers check the signatures.

Vendors must provide receipts to participants for WIC purchases. As a control against fraudulent returns of WIC foods for credit or cash, the State agency may require vendors to mark the receipts as WIC purchases and therefore valid only for exchange of unusable foods. This control represents no additional cost to the Program, and some vendors will do this automatically, if they compute a subtotal for WIC items or use scanners programmed to identify WIC items. There is good reason to doubt, however, that the stores most likely to collude with participants in this form of fraud will comply with the requirement to mark receipts.

Process for Reporting Participant Fraud and Abuse
Perhaps the best way to detect participant fraud and abuse in the transaction and redemption processes is through an established process for tips or complaints from fellow participants, vendors, staff, and community members. As noted earlier, WIC staff cannot routinely observe the transaction process, although they can be trained to be observant when they are in grocery stores for professional or personal reasons. Mechanisms to detect vendor involvement in

participant fraud generally do not pinpoint the specific participants who are involved, because these mechanisms rely on statistical information and compliance buys.

The basic process for receiving tips and complaints about participant fraud is to have staff record the information and forward it to the appropriate unit or individual for investigation. The information may be received by local or State agency staff. One way to enhance this process is to provide standardized forms and training to all staff members who may receive complaints; another step is to require local agencies to report complaints to the State agency. Yet another approach is to formally enlist vendors by providing complaint forms to them, so that they can document instances of attempted participant fraud or abuse for the local or State agency.

Each of these options requires an additional investment of staff time, both on the part of the staff who receive the complaint and on the part of the staff members who follow up or investigate. This entails either diversion of staff time from another task, or hiring of additional staff to handle complaints. If the State agency has a toll-free telephone number for WIC information, publicity about this line can encourage its use for reporting fraud, provided that the staff members answering the line have the appropriate training and procedures are established for routing complaints.

Participants can be informed of procedures for reporting complaints as a part of their basic Program education, and vendors can be informed as part of their routine training. This education represents a minimal addition to the amount of staff time required during the education process. As discussed in the next chapter, allegations of participant fraud and abuse may be investigated by either the local or State agency, depending on the nature of the allegations and the State agency's preferred approach.

4.4 Vendor Transaction and Redemption Controls

This section summarizes the controls commonly used to assure the integrity of vendor participation in the WIC Program. As noted earlier, the controls to prevent and detect vendor fraud and abuse were not a focus of this study, but they are relevant because they indirectly serve to reduce participant fraud and abuse. Additional information about vendor controls can be found in the FNS database of vendor integrity practices and activities (The Integrity Profile, or TIP) and related reports. In addition, FNS has a study under way to document vendor integrity practices and to estimate the extent of certain types of vendor fraud and abuse.

Data on Basic Vendor Controls
The following table provides statistical information on the prevalence of some basic transaction and redemption controls involving vendors.

Table 4–2—Background statistics on food instrument transaction and redemption controls

Transaction or redemption practice	Percent of State agencies and ITOs
Compliance buys conducted by State agency	51

Compliance buys conducted by contractors	17
Perform trafficking buys	29
Test for major substitutions (alcohol, tobacco etc.)	39
Maximum value printed on food instruments	77
Hidden maximum value for food instruments	42

Source: USDA, Food and Nutrition Service, *National State Agency Program Integrity Profile, 1998*. Responses were from 52 g State agencies and 25 ITOs.

Summary of Vendor Integrity Practices

The following practices are used by State agencies to prevent and detect fraud and abuse by vendors:

- Review of vendor qualifications, licensing, and previous WIC experience prior to contracting

- Training

- Monitoring

- Identification of high-risk vendors

- Compliance buys and invoice audits

Vendor Authorization and Training

Vendors are approved by State WIC agencies to transact and redeem WIC food instruments through an application process that culminates in a contractual agreement between the vendor and the WIC agency. A major focus of this process is assuring that vendors are legitimate food retailers who can be expected to comply with WIC procedures. Applicants are reviewed prior to acceptance, and WIC staff members check their qualifications and licenses and review any prior WIC experience before making a decision.

WIC staff members also visit the stores to confirm the information provided on the application and to obtain additional information needed to assess the vendor's application, such as stock and prices of WIC foods. Vendors with excessive prices for WIC foods may be denied authorization. Vendor agreements are periodically renewed, usually every 1-3 years. Upon authorization, vendors must participate in training to ensure that they understand the rules and procedures associated with transaction and redemption of food instruments. These controls are designed to select legitimate vendors and ensure that they understand the policies of WIC well enough to perform their part of the transaction and redemption processes effectively.

One potentially important factor in the selection of vendors is the presence and use of automated scanning equipment to identify items and their prices. At a minimum, scanners reduce the incidence of pricing errors and the discretion of cashiers to overcharge when processing a WIC

purchase. Some vendors program their scanners to identify authorized WIC foods and to require another form of payment for non-WIC purchases. This added programming aids cashiers in identifying unauthorized foods at checkout and serves as a control for the prevention of fraud and abuse at the transaction level.

State agencies frequently gather information on whether stores that want to be WIC vendors use scanners. To the extent that the presence of scanners and the practice of separating WIC items via scanner data can be considered as a criterion in the vendor authorization and reauthorization process, program integrity can be enhanced. It is unlikely that a State agency could enforce a requirement that vendors use scanners, because of the costs of installing and maintaining these systems. Nevertheless, any way that the agency can promote scanner use, through preference in the authorization process or through education about the benefits to the vendor, will serve to enhance the integrity of the transaction process.

Vendor Monitoring
State WIC agencies monitor transaction and redemption of food instruments to ensure that only authorized vendors are accepting WIC benefits and that the amounts the vendors are requesting for payment are consistent with the WIC foods they distributed. The food instruments themselves are subject to review after the vendors submit them. They are to be checked for signature, acceptable amount, valid dates of use, and a vendor stamp or endorsement to ensure that vendors are submitting valid food instruments.

State agencies are required to address the purchase price of WIC foods in their vendor agreements. One way for agencies to address this issue is to establish a maximum price that vendors may charge for food instruments. As indicated earlier, 77 percent of State agencies set maximum values for their food instruments. Usually, the MIS is programmed to detect excessive prices either before payment (when the State agency or its contractor processes food instruments) or after payment (when food instruments are processed through the banking system). Depending on the procedure, instruments that exceed the maximum value may be rejected, the vendor may be paid the maximum in lieu of the amount recorded on the instrument, or the excess amount may be charged back or deducted from future redemptions. In any case, the State agency avoids paying more than an acceptable amount for WIC purchases, reducing losses due to clerk errors and intentional overcharging.

Some State agencies set a standard maximum value for all food instruments as a check against gross overcharging. As an enhanced control, a State agency can use price data to set a maximum value for each instrument. This approach uses price data from vendor surveys, site visits by State staff, or past redemptions, with the maximum price set at a certain percentage above the average. Some flexibility in pricing is usually provided to allow for fluctuations in the market, differences in pricing between stores (i.e., large chains vs. small independently owned stores) or other factors that influence the price of food.

If the maximum value is to be printed on the food instrument, the MIS must be programmed to do so. This approach clearly communicates the maximum to the vendor, but it entails the risk that vendors will set their prices at or close to the maximum. Yet another limitation of printed

maximum values is that when prices fluctuate, the maximum values on food instruments issued 2 or 3 months in advance may become out of line with the current market, leading either to more overcharging or disputes with vendors over what they perceive as inadequate reimbursements.

For such reasons, 42 percent of State agencies use hidden maximum values for food instruments, a system whereby the maximum value can be calculated at the time of redemption based on the most current data. This approach also gives State agencies more flexibility to vary the groupings of vendors used to determine the average prices. Regardless of which of option an State agency chooses, these controls require an investment of State staff time, both up front to establish maximum values, and routinely to monitor current pricing and adjust the values accordingly. The MIS must be programmed in such a way that this information can be changed regularly and with little difficulty for this control to operate efficiently.

Identification of High-Risk Vendors
Redemption-monitoring reports provide an important tool for State agencies to meet the requirement to identify high-risk vendors. Commonly used high-risk indicators include: the overall percentage of food instruments returned, the percent returned for specific reasons (such as alterations or missing signature), and the frequency with which vendors redeem food instruments at or near the maximum value (if one is specified). The number of participants using food instruments at a vendor who is outside their geographical area can be an identifier as well. The State agency can gain added flexibility for vendor monitoring by creating the capability to perform ad hoc queries on transaction and redemption data, so that information on potential new patterns of fraud can be incorporated in monitoring reports.

Monitoring of these types of data enables State agencies to identify vendors who may be engaging in suspicious practices, so these vendors can be investigated further. Such monitoring requires the use of MIS with the capability to provide monitoring reports based on these data, which will represent an added cost to State agencies whose current MIS cannot perform this function. Staff time needed to review the reports is an additional cost to the Program, the amount of which varies depending on the volume of vendor activities flagged by the reports. State agencies need to track the outcomes of investigations based on different indicators, to increase the likelihood that monitoring reports will target the stores engaging in violations.

Another form of vendor monitoring is through store visits to observe the stock, prices, and checkout procedures. In addition to the store visits made during the authorization process, some State agencies conduct periodic monitoring visits. One form of these visits is the price survey, whereby State staff members verify vendors' prices for WIC foods. Another approach more directly focused on fraud and abuse is to conduct education buys, in which a WIC representative conducts a WIC transaction to observe the store's procedures and pricing.

Unlike compliance buys (discussed below), the vendor is aware that the buyer is a WIC representative, and the purpose is to identify a need for training rather than to establish a basis for a sanction against the vendor. While monitoring visits represent a cost to the Program in the form of staff time, they also represent several benefits to the Program. Such visits afford the State agency the opportunity to identify deficiencies and to educate vendors, and as a result, the

likelihood that vendors will be penalized for unintentional errors in processing is reduced. In addition, communication and positive relations between the State agency and vendors can be strengthened.

Compliance Buys and Invoice Audits

State agencies are required to conduct compliance buys on a specified percentage of vendors, including all identified high-risk vendors up to this percentage. This practice is aimed at detecting fraudulent vendor activity that may range from inadvertent actions resulting from ignorance of Program rules to intentional collusion with the participant. Compliance buys may be conducted by State, local, or contracted staff. The undercover "participant" in a compliance buy may attempt any type of violation, from minor substitution (e.g., non-WIC cereal) to major substitution (e.g., cigarettes) or trafficking to see if the vendor is willing to perpetrate the violation. Investigators must establish a pattern of violations to provide grounds for vendor sanctions, and they usually begin with minor violations before attempting major ones.

In agencies where WIC staff members perform compliance buys themselves, vendors are often able to recognize them, thereby negating the effectiveness of the compliance buy as a tool of detection. Use of staff with specialized training or contracting of outside agencies with appropriate expertise to perform the buys is an enhanced control. Specialized staff may play the role of "participant" more effectively and generate less suspicion on the part of the vendor. In areas where a particular ethnic group is concentrated, effective buys often require the use of an operative from that ethnic group.

Use of staff with special training as opposed to use of local agency staff entails either the hiring of staff with appropriate training or the diversion of trained staff from other duties to conduct these buys. Either scenario may represent an increased cost to the Program, as may the hiring of a contractor to conduct the buys, because more expensive labor may be involved. However, specialized staff or contractors are likely to perform buys more effectively, and the risk of retaliation against them is lessened, as they are not known members of the community. State agencies must weigh the potentially higher cost against the benefits of meeting the requirement in a way that strengthens their ability to detect fraud.

Some State agencies perform invoice audits of the vendors' records to compare the claims for reimbursement against records of purchases from wholesalers. This is an alternative tool to probe for evidence of fraud because vendors engaged in major substitution or trafficking on a large scale are not likely to have sufficient wholesale purchases of WIC foods to correspond to the amount of their redemptions. This method requires staff time to perform the audits, the amount of time depending on the volume of records to audit, but can be particularly useful when compliance buys are not feasible, as when a person must be known by or sponsored to engage in a fraudulent transaction.

Chapter V

Participant Investigations and Sanctions

In cases of possible fraud or abuse by a WIC participant, WIC staff investigate to determine if a violation has in fact occurred. If so, the participant may be sent a warning letter, counseled about the violation, or temporarily disqualified from WIC, depending on the violation and the State's rules. WIC agencies are expected to attempt recovery of improperly obtained benefits from participants. States use different types of staff at the State and local levels for this function. Some States have developed staff positions that are solely responsible for investigation and sanctioning of fraud and abuse. State agencies may work with law enforcement officials on participant fraud cases.

States differ in respect to guidelines for sanctions. Differences include guidelines on when to sanction, how to sanction, and cost-effectiveness in relation to collections. The more comprehensive the guidelines, the more consistency in the State's sanctioning process. Each State must balance the need to deter fraud by imposing sanctions and recovering funds with the costs and likely benefits of these activities, taking into account the potential impacts on sanctioned participants' nutritional needs, national mandates, and more local concerns.

This chapter provides a discussion of participant investigations and sanctions as reactions to, and controls against, fraud and abuse. We explore different methods of conducting investigations and administering sanctions, with a view to enhancing the effectiveness of State and local WIC agencies in these areas.

5.1 Background

This section provides a discussion of the levels of severity associated with various types of fraud and abuse, WIC Program regulations that apply to participant investigations and sanctions, and summary statistics on different types of participant sanctions and how much they are used by States.

As discussed in the previous chapters, the processes of certification, issuance, and redemption are subject to a variety of violations for which participants can be sanctioned. It is important to note, however, that what has generically been labeled as fraud and abuse includes violation with different levels of seriousness.

Minor violations by participants, those that do not involve improper receipt of benefits or diversion of benefits from the purchase of food to other purposes, include:

- Purchasing the wrong package size, variety, or brand of food
- Redeeming food instruments before or after their valid dates
- Verbal abuse of vendors or WIC staff.

These violations may be unintentional. As discussed later in this chapter, the usual response to such violations is to warn and re-educate the participant, not to impose punitive sanctions. More serious types of fraud and abuse entail the fraudulent receipt of benefits or the diversion of benefits to uses other than the purchase of food. Examples of more serious fraud and abuse include:

- Misreporting or concealing income

- Intentional dual participation

- Other falsification of certification information to obtain benefits

- Redeeming food instruments for nonapproved items such as beer or tobacco (major substitutions)

- Trafficking WIC food instruments or foods for money or trading them for other goods or services.

Any time a participant obtains benefits by fraud, the action is a criminal offense. The most serious violations warrant criminal investigations and prosecution. These are typically blatant and extensive acts of fraud or abuse perpetrated by participants, sometimes in collusion with staff or vendors. The most serious types of participant fraud and abuse include:

- Large-scale intentional dual participation (usually through the creation of false identities and the forgery of documents)

- Receipt of benefits over a long period as a result of false reporting of income or other circumstances (particularly when perpetrated by staff as participants)

- Theft of food instruments or formula from a WIC clinic

- Large-scale trafficking of WIC food instruments.

Key Provisions of WIC Program Regulations
WIC Program regulations establish a number of requirements related to participant sanctions[5]:

- State agencies are responsible for disqualifying dual participants from one of the clinics. If the dual participation is found to be intentional, the participant may be disqualified from the Program at both clinics.

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[5]Regulations concerning sanctions are found at several locations in 7 CFR 246, including sections 246.7, 246.9, 246.12, and 246.23.

- Mandatory 1- year disqualification for claims totaling $100 or more, claims from intentional dual participation, or any second subsequent claim.

- State agencies must ensure that local agencies terminate participants found to be ineligible after certification.

- State agencies must establish sanctions for other forms of abuse; these sanctions may include disqualification for up to 1 year.

- States must give 15 days' prior notice to participants who are to be suspended or disqualified from the Program.

- States must attempt to recover improperly obtained benefits if the recovery is cost effective by State-determined criteria. The State must give written notice to participants of a claim against improperly issued benefits. The notice must include the reasons for the claim, the value of the benefits to be repaid, and the right to a fair hearing.

- The State must provide for fair hearings upon request before participants are disqualified.

5.2 Data on Sanctioning Practices

Table 5–1 contains information on the frequency with which different types of sanctions are employed. It is rare that no sanction is applied when a case of serious fraud and/or abuse is identified. The more serious the sanction, the less frequently it is applied.

Table 5–1—Estimated percentage of participants with major violations receiving various sanctions

Type of sanction	Estimated percent of participants
Counseling	72.0
Warning letter	32.0
Suspension/temporary disqualification	25.0
Other	6.0
No sanction	0.5

Source: U.S. General Accounting Office, *Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 45.
Note: Based on a survey that identified 7,074 participants suspected of dual participation, exchange of food instruments for nonapproved items, or misrepresentation of income, over a period of 2 years. Some participants received more than one type of sanction. Sanctions for minor abuse (i.e., redeeming food instruments outside of valid dates) tend to be more lenient.

5.3 Overview of Controls for Participant Sanctions

Table 5–2 summarizes the principal controls for the sanctioning of participant fraud and abuse. The first column identifies the basic controls that are widely or universally used, including measures required by the WIC Program. The second column identifies enhanced controls that

can improve program integrity. Some of these enhanced controls are appropriate for most or all States, while in other cases there are multiple options for enhancing controls.

Table 5–2—Requirements and controls for participant sanctions

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Requirement: State agencies must establish sanctions for participant abuse of the Program		
Basic control: Complaints and discrepancies identified by reports receive followup by WIC staff	Use of specialized WIC or non-WIC staff trained in investigating fraud and abuse	Assigns responsibility for follow-up, and increases efficiency and effectiveness of investigations. Reduces dissonance between serving clients and enforcing Program rules. Entails cost of hiring staff with appropriate backgrounds or diversion of the time of WIC staff with appropriate backgrounds to perform investigations
	Outreach by investigative staff to encourage referrals	Promotes awareness and communication with local staff Requires investment of staff time, depending on frequency of outreach.
	Analyze MIS data to identify patterns of suspicious behavior	More efficient and less obtrusive than manual review of records. Requires MIS programming and processing to support ad hoc query capability or generate reports. Cost varies depending on capabilities of MIS currently in use.
		Promotes fraud awareness and early detection. Requires investment of staff time. Could be included as part of outreach to minimize cost.
	Results of investigations are used to provide warnings to local agencies	
Basic control: Warning letter for minor abuse	Specific guidelines regarding which situations result in a warning letter	Sets clear expectations for staff and participants. One-time investment of State administrative staff time to establish guidelines.
	Provide written warning for any substantiated fraud or abuse, with information about potential sanctions in future	Emphasizes message and establishes record in case of future violations. Requires investment of staff time to prepare and send letters. Effort is larger if letters are not pre-formatted.
	Followup with counseling or more frequent benefit pickup to monitor participation	Ensures participant understanding of rules, determines if other problems exist.

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls

Requirements:

Mandatory 1-year disqualification for claims totaling $100 or more, claims from intentional dual participation, or any second or subsequent claim

Mandatory written notice of intent to disqualify and right to fair hearing at least 15 days prior to action

Mandatory written notice of disqualification and right of appeal

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Basic controls: Same as requirements	Disqualification letter should be sent by certified mail or delivered in person	Ensures proof of receipt. Requires small cost of postage or investment of staff time if delivering in person.
	Notification of all local agencies in the State and record of disqualification in MIS	Prevents participant from returning before end of disqualification. Requires small investment of staff time.
	Followup with counseling and close monitoring if participant returns	Prevents further violations and provides opportunity to address related problems (e.g., drug abuse). Requires additional investment of staff time.
	Provide option of use of proxy to obtain benefits for an infant or child when the parent has been disqualified	Prevents loss of benefits to infants and children who are innocent of offense. Requires same amount of staff time, and represents no additional cost to the Program.

Requirements:
States must initiate a claim for any benefits that are improperly obtained or disposed of by participants. Agencies must inform the participant in writing of the reasons for the claim, the value of the benefits to be repaid, and their right to a fair hearing.

If restitution or repayment schedule is not established within 30 days of receipt of letter, States must attempt to collect until successful or unless they determine that further attempts at collection would not be cost-effective.

States must establish standards for collection based on cost-benefit analyses.

States must document the disposition of participant claims.

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Basic controls: Same as requirements	Automate claims requests and collections procedures	Reduces labor costs, promotes consistency and facilitates accountability. Requires programming of MIS to perform this function.
	Use collection agencies when feasible	Cost to Program may be funded from amount recovered. Amount must be sufficient to be worthwhile for collection agency.

Requirement: Referral of instances of criminal fraud to police or prosecutors where appropriate

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
Basic controls: Same as requirements	Establish agreement between investigators and prosecutors about criteria for types of cases to be	Establishes mutual understanding of evidence required and commitment to prosecute when appropriate.

WIC requirements and basic controls	Enhanced controls	Benefits and costs of enhanced controls
	prosecuted	Requires investment of staff time to consult with prosecutors and establish criteria.
	Assess feasibility/establish guidelines to prosecute and likely penalties before starting criminal investigations	Ensures cost-effective use of investigative resources. Requires use of staff who possess knowledge about State laws and prosecutions.
	Use specialized WIC agency or law enforcement staff to conduct criminal fraud investigations	Criminal cases require more varied methods and higher standard of documentation. Requires investment of staff time to investigate, or hiring of specialized staff if the needs of the State require such action.

The remainder of the text focuses on these controls in the context of the sanctioning process.

5.4 Fundamental Choices Shaping Participant Sanctions

States make a series of fundamental choices that shape the process of sanctioning participants, and the kinds of controls that can be used, such as:

- which local or State staff will investigate and impose sanctions for fraud and abuse

- how the State balances the need to deter fraud and recover funds with the available resources and the potential impacts on sanctioned participants

- what the State considers the desired role of law enforcement officials.

The primary choice with regard to which WIC staff will be involved in fraud and abuse investigations and sanctions is: what will be the roles of front-line local staff and more specialized fraud control staff at the local or State level? Both types of staff have their distinctive strengths. Front-line local WIC staff members are trained in nutrition and routine program procedures, not investigative methods. Specialized staff members are more likely to have the time, training, and experience needed to conduct effective investigations and establish the necessary documentation for sanctions, particularly in criminal cases.

On the other hand, local front-line staff members often possess extensive experience with WIC participants, which enables them to identify suspicious information or patterns of behavior. Local staff members often have extensive contacts in the surrounding community, further strengthening their ability to detect possible fraud. The effectiveness of the local staff in identifying potential fraud and abuse can be strengthened by training that promotes awareness of fraud and abuse, and specific instruction in how to document information for investigators. The final decision regarding the imposition of a sanction should be made by an official with the appropriate level of

authority: disqualifications should be approved by the local agency director or an appropriate State official.

When deciding which staff will investigate and sanction fraud and abuse, States must also consider the cost of hiring specialized staff or investigators. Funding may not be available for this purpose, so supervisors or State administrative staff may be needed to fill this role. Another factor to consider is the balance between serving clients and enforcing Program rules. An investigator who is not providing WIC services may feel less dissonance between these two goals. Assignment of investigations to specialists clarifies the responsibility for this function and ensures that it does not get neglected. Specialized investigators also have the mobility to exchange experiences with the staff at many different local agencies.

State and local agency staff must deal with the conflict that exists between meeting the nutritional mission of the Program and promoting program integrity through the disqualification or prosecution of participants. When considering these sanctions, WIC staff are faced with the potential impact on participants' health. Particularly at the local level, where staff have more direct contact with participants, there may be a reluctance to take away benefits, as it may mean taking food away from persons already at nutritional risk. This decision is most sensitive when it involves denying benefits to infants or children whose parents have committed fraud or abuse. When making choices about sanctioning of participants, States must strike a balance between enforcing program rules, meeting the needs of participants, and fulfilling community expectations. Choices about sanctions, in turn, shape considerations of how much resources and effort are appropriate to devote to investigating and sanctioning of participants.

State agencies must rely on the cooperation of law enforcement officials to make arrests and conduct prosecution in cases of criminal fraud. Particularly where law enforcement resources are stretched thin, these officials may not consider typical cases of WIC fraud to be a priority, even when violations are serious from the Program's perspective. States need to establish realistic goals for the role they expect law enforcement officials to take in this process, and they need to find ways to gain their cooperation. The WIC agency needs to assess how likely local law enforcement is to follow through with prosecution before the WIC Program invests substantial time and effort in the investigation and building of a case.

States have some important options to get the cooperation they need from law enforcement officials. In some cases, a simple personal appeal by the WIC Director to the police chief or district attorney may be sufficient. A contractual agreement with law enforcement officials for prosecution of fraud cases may offer a solution to secure the commitment of personnel, but it may also entail a significant cost to the Program. Education of law enforcement on the WIC Program and its needs for help in prosecuting fraud and abuse may be helpful but requires staff time and does not guarantee action. States must adjust the amount of time and funds invested in gaining the cooperation of law enforcement to realistic expectations about how much additional cooperation these methods will actually gain them. In developing strategies and assessing this balance, State agencies can learn from each other through formal and informal channels.

5.5 Methods for Participant Investigations and Sanctions

This section discusses in more depth the basic and enhanced methods of investigating participant fraud and abuse, imposing sanctions, recovering funds, and prosecuting criminal offenses.

Investigations

Participant fraud and abuse can be discovered through review and investigation of complaint forms, MIS reports, or case reviews. Once a potential case has been identified, it must be assessed to determine the seriousness of the violation and the likelihood of an effective sanction or prosecution. If an investigation is warranted, the responsibility must be assigned to a staff member or outside investigator, and this person must gather the appropriate information from administrative records, interviews, or other sources. This information must then be evaluated to determine whether there is proof of the alleged violation.

The basic model is that investigations are the responsibility of local front-line staff or supervisors, under the direction of the clinic or local agency director. The responsible staff member consults with the director if appropriate before initiating an investigation, and the evidence is presented to the director for evaluation before a sanction is imposed. This model is certainly appropriate for minor violations, and some local agencies use it effectively for more serious cases.

Under an enhanced model for fraud and abuse investigations, local front-line staff members refer evidence of serious violations to one of the following types of investigators:

- Specialized fraud prevention and detection staff within the local agency

- Program integrity coordinator or unit within the State WIC organization

- Administrative fraud investigators attached to other State units, such as auditors or inspectors general

- Police or prosecutors operating under agreement with the State or local WIC agency.

As discussed earlier, the appropriateness of these models depends on the availability of resources and the need for more specialized staff. On balance, specialized staff are likely to produce more consistent results, particularly in more serious and complicated cases. Use of specialized staff entails a cost to the WIC Program of hiring staff with appropriate backgrounds, or diverting WIC staff with appropriate backgrounds to perform the investigations. Local agencies must be quite large to support a substantial staff of fraud investigators, but smaller agencies can have a designated fraud coordinator as a point of contact and resource.

Centralization of investigations at the State level is a way of ensuring that allegations are promptly, consistently, and objectively investigated. Centralized investigators need to establish good lines of communication with local agencies, enlisting them as their "eyes and ears." For smaller State WIC agencies, sharing investigators with other programs may be the most cost-

effective way to secure the necessary expertise. Involvement of police or prosecutors is essential when criminal charges are to be brought.

The basic tools of investigators are the MIS, hard-copy documentation, and interviews with participants and other knowledgeable persons. Depending on applicable State laws and procedures, enhanced resources available to investigators may include:

- Earnings information from State employment security agencies

- Legal records, such as marriage licenses and arrest records

- Information submitted by participants to other programs, such as Medicaid, TANF, or food stamps.

An enhanced MIS can be an important tool for investigating fraud and abuse. The capability to perform queries on MIS certification and redemption data can be used to identify or confirm unusual patterns, targeting specific areas or cases for more in-depth investigation. For example, if there is suspicion that medical information is being falsified on a large scale, the MIS data might be analyzed to trace where participants are obtaining their medical referrals, to identify providers who provide disproportionate numbers of referrals or appear to serve many out-of-area participants. MIS data analysis can be conducted with little burden on local staff, whereas manual searches through participant records can be disruptive.

The effectiveness of investigations is magnified when investigators or managers use the results to provide warnings to local agencies about patterns of fraud and abuse, and to promote awareness among staff members. A simple way to do this is to issue notices or periodic bulletins to local staff. Staff or supervisors involved in investigations can present actual cases to local agencies, complete with a discussion of what preventive steps could have been taken, and what local staff did or could have done to assist in the investigation (i.e., documentation, reporting of suspicious cases).

These presentations can be made on-site at local agencies or in conferences of local agencies. Investigators may speak with more formal authority and breadth of experience, but peer-to-peer communications may be more effective at getting the attention of staff and motivating them to make fraud control a priority. The benefits of such a use of specialized staff time need to be weighed against the cost to the Program of the hours involved, as well as the loss of time spent conducting investigations while providing outreach. Frequency of outreach can be adjusted to maximize the effectiveness of outreach while minimizing loss of staff time to other duties. Number of clinics involved and volume of investigations required are factors for States to consider when making this decision.

Sanctions

When investigations find sufficient evidence of fraud or abuse to warrant a sanction, the responsible staff must determine the appropriate course of action. The main options are: counseling, written warnings, increased monitoring, and disqualification. As previously discussed, disqualification is usually reserved for more serious violations because of the potential adverse impact on the participant's health. One alternative to disqualification is the mandatory assignment of a proxy to pick up and redeem food instruments, particularly when the participant is an infant or child and the offender is the parent.

Sanctions are made more consistent and defensible when the State establishes clear guidelines for these determinations. These guidelines need to address both situations where federally mandated sanctions apply and those where the State has discretion. At the same time, local agencies need some discretion to adjust the response when special circumstances apply. This discretion can be delegated in the guidelines, or the State can provide a waiver process whereby it retains control over the exceptions. Either way, States require a one-time up-front investment of State administrative staff time to establish the guidelines, and periodic investments of time to update or change them as needed.

Typically when a participant has violated a rule or regulation of the WIC Program, a warning letter is sent, informing the participant what rule was violated. As an enhanced control against fraud and abuse, the warning letter should also include information about what steps will be taken or what sanctioning will occur if the behavior in question should occur again. Inclusion of this additional information in the letter requires minimal additional staff time, and even if the agency takes no other action, this sends a message to participants about the seriousness with which the WIC Program views program violations. This message is more effective if the local agency reinforces it with counseling to ensure that the participant understands the message.

There may be underlying reasons for the violation that need to be addressed, such as domestic abuse or other needs for social services. Increasing the frequency of food instrument pick-up is an effective response for certain violations, such as redeeming benefits before or after their valid dates. While both counseling and increased frequency of pick-up entail an additional investment of staff time and a potential slowing of clinic flow, both address not only the issue of prevention of fraud and abuse, but also the mission of identifying participants' other needs and making appropriate referrals.

If a participant continues to violate program rules, or if the violation is sufficiently serious, Federal or State rules may require the local agency to disqualify the participant for a certain period of time. Clear guidelines appropriate to the expectations of the Program and the community are particularly important when disqualification is a possible sanction. State agencies should take their laws and whatever special circumstances may be unique to their State into consideration when establishing these guidelines. Establishment of guidelines represents an investment by State administrative staff.

Updating guidelines represents a periodic additional investment of time, but as this is not a routine activity, it is not likely to require additional staff or divert an unreasonable amount of

staff time from other duties. In situations where a participant with dependents who are also on WIC has been disqualified, some State agencies provide the option of using a proxy to obtain benefits for the dependents, thereby preventing loss of benefits to the dependents, while at the same time enforcing sanctions on the adult participant, who is responsible for the offense.

The WIC Program requires the State or local agency to send a disqualification letter to the participant stating why the disqualification is occurring, how long it is for, and what further sanctions will be instituted if the violation occurs again. The letter must be sent at least 15 days before the effective date of the sanction, and it must advise the participant on how to exercise the right to a fair hearing. As an enhanced control to ensure that the participant receives it, the letter should be sent by certified mail or hand-delivered. In extreme cases, it may be necessary to arrange a fictitious appointment to ensure that the participant is present where the notice can be delivered.

Although these methods of delivery represent an additional cost to the Program in terms of time or dollars, they ensure that the participant received notification, and may save investigative staff time during sanctioning, as nonreceipt of the letter cannot be used as a reason to dispute sanctions. The State agency should send notification to other local agencies and record the sanction information in the MIS, to prevent the participant from returning before the end of the disqualification. This notice should explain the nature of the violation, particularly if it represents a pattern that is not familiar to other local agencies.

It may be appropriate to provide a description or photograph of the participant, in case she attempts to enroll under a false identity. Such notification requires that some member of the staff invest the time required to compile the relevant information into a letter or email and ensure that it reaches all agencies. This process does not require a significant amount of staff time, and can be performed by clerical staff as opposed to senior staff.

Recovery of Funds

When a participant has received an overpayment (i.e., benefits she is not entitled to), the State or local agency must request repayment. Again, States need to develop and disseminate guidelines for recovery of funds, particularly if this responsibility is delegated to local agencies, to assure consistent and cost-effective practices. In developing these guidelines, the State needs to consider the resources available for follow-up (including external sources, such as collection agencies or civil prosecution), their costs, and evidence of their rates of success. An FNS workgroup has developed a helpful guide for this assessment.[6]

The basic procedures for collection of overpayments are: sending a letter explaining the basis and requesting repayment; following up by mail, telephone or other means to collect the funds; and establishing a record of the claim and the payments. By sending a letter in every instance of overpayment, the agency sends a clear message that no overpayments are acceptable. The State or local agency can minimize the ongoing cost of this step by setting up standard form letters and

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[6]See the Best Practices Guide (1999) developed by the FNS Dual Participation Workgroup.

automating the process of establishing the record of the claim and sending reminders. Automation can also promote consistency and facilitate accountability for recovered funds.

The automation can be done on a simple stand-alone PC database if the collection process is centralized. The agency can still reserve the more expensive forms of followup, such as pursuit of collection by State staff or collection agencies, for instances when the expected payoff justifies them (based on the size of the claim and the availability of information and resources to collect).

A State can facilitate decisions about how far to proceed in attempting to collect a claim by reviewing the steps required under the different options, the staff time and other costs, and the likelihood of the payoff, based on experience. Once the State has completed this process, which may require some attempts at strategies with a low probability of success on a trial basis, it can establish a series of guidelines for future decisions, using such tools as decision trees.[7]

Prosecution
When an investigation of possible fraud and abuse has been conducted, and the State or local agency wants to conduct a criminal investigation and prosecute the offender, the cooperation of law enforcement authorities is needed. Criminal cases require more sophisticated and varied investigative methods (e.g., undercover observation) and higher standards of evidence, and WIC agencies lack the powers to arrest and prosecute offenders.

As an enhanced control, WIC agencies can increase the effectiveness of referrals to police and prosecutors by establishing an understanding regarding what types of cases can be prosecuted and what kinds of evidence are needed. If law enforcement officials are routinely presented with cases that they consider appropriate for prosecution, the likelihood that they will follow through with prosecution should increase. Relationships with police and prosecutors can be enhanced by formal agreements with the WIC agency. The availability of WIC funding for appropriate activities can further enhance these relationships, if this is an option for the State agency. Establishment of guidelines for pursuing criminal prosecution requires an investment of State administrative staff to communicate with law enforcement about what constitutes a criminal case and what information the Program should provide for them. In addition to this initial investment of time, the State needs to maintain communication with law enforcement to ensure that guidelines are updated in a timely manner when laws change.

Before seeking a criminal investigation, the WIC agency can enhance the chances of success by realistically assessing the chances of securing the help of law enforcement officials, obtaining an indictment, and reaching a guilty verdict. Good candidates for prosecution may be identified based on the amount of preliminary evidence, the size of the fraud (e.g., a group that creates a large number of phantom participants) or the potential deterrent value (e.g., a staff member

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[7]A decision tree models a complex decision problem as a series of choices between uncertain outcomes with specified payoffs. If the probabilities of the outcomes are known or estimated, the expected values of the possible decision paths can be compared to assess the alternatives.

participating based on fraudulent reporting of income). The WIC staff members making these assessments need substantial knowledge of applicable laws and the judicial system.

Such assessments, and the role of the WIC agency in criminal investigations, can, as an enhanced control, be strengthened by the availability of specialized investigators with a law enforcement background, either as members of the WIC staff or through cooperative relationships with other organizations. Hiring of specialized investigators represents an increased cost to the Program. Investigators with extensive experience, who would be the most attractive to the Program, are likely to command higher salaries. States can offset the cost by hiring on a part-time basis, or they can ensure maximum use of the investigator's time (e.g., outreach to encourage referrals from local agencies when not busy with investigations).

Chapter VI

Oversight of Employees and Local Agencies

State and local WIC agencies use a variety of oversight mechanisms to prevent and detect fraud by participants and employees, in addition to the controls integral to operational procedures for certification, issuance, and redemption. One goal of State and local oversight is to ensure that program responsibilities are entrusted to qualified, trustworthy employees. Another goal is to provide feedback on whether the employees follow procedures designed to prevent and detect fraud. A third goal is to detect evidence of possible fraud by participants that may have been accidentally or intentionally overlooked during routine operations. The fourth goal is to detect, investigate, and impose sanctions for fraud perpetrated by employees.

Oversight by local and State officials is particularly important to the prevention and detection of employee fraud, in part because the controls built into operational processes tend to focus more on participant fraud. For example, identity documentation requirements prevent applicants from participating under false names, but they do not prevent employees from creating phantom participants. Furthermore, employees must often be given a certain degree of autonomy to maintain efficient operations, so the potential for abusing that autonomy is present. Supervisory employees and front-line staff who operate with little day-to-day supervision pose particular challenges in this regard. Last but not least, employee fraud can have substantial non-monetary costs, if it undermines the perceived legitimacy of the WIC Program.

The context for oversight depends on the organizational relationships among the State agency, the local agencies, and the clinics delivering WIC benefits and services. Where the local agencies are part of the State agency, State officials have direct control over local operations, although the State agency's WIC management team may need to work through another branch of the State agency that has line management authority over local operations.

On the other hand, where the State agency contracts with local governments or nonprofit agencies to operate the WIC Program, oversight is mediated through the contract, and local agencies may have more autonomy. Similarly, the way in which a local agency with multiple clinics exercises its management role will be shaped in part by whether those clinics are part of the local agency or subcontractors. An additional factor shaping the context for oversight is what other services local WIC agencies offer, because these other services are likely to have their own oversight structure that may have to be coordinated with WIC requirements.

This chapter discusses a variety of management and oversight mechanisms that can be used to prevent and detect fraud by WIC participants and employees. These tools include: hiring and training of employees, internal quality assurance procedures at the local level, management evaluations and reviews by State WIC personnel, and third-party audits. With respect to employee fraud, the focus is on the local level, although some of the controls discussed are also applicable at the State level.

6.1 Background

This section reviews the significant vulnerabilities to employee fraud in WIC operations and provides summary statistics on the prevalence of certain basic practices.

Vulnerabilities to Employee Fraud
Any type of fraud initiated by a participant could involve the collusion of employees (e.g., ignoring evidence of excess income that would disqualify an applicant). Employee oversight therefore needs to prevent such collusion, through preventive measures such as screening and training, and to detect the collusion that does occur through measures such as observation and record reviews.

The types of fraud and abuse that may be independently perpetrated by employees include the following:

- creation of "phantom" participants to obtain benefits

- theft of blank food instruments from the agency inventory or personalized instruments intended for specific participants

- counterfeiting or alteration of food instruments

- theft of other WIC Program property, such as formula samples or equipment

- creation of phantom employees

- use of Program funds to purchase goods or services for personal use

- deliberate misrepresentation on financial or participation reports

The first three of these vulnerabilities involve the loss or diversion of benefit funds. The primary controls to prevent and detect these types of fraud have been discussed in preceding chapters; this chapter discusses the use of management controls to prevent and detect breakdowns in the primary controls. The next three vulnerabilities represent fraudulent use of funds for nutrition services and administration (NSA). Fraudulent reporting may occur when an official seeks to conceal other types of fraud, or when there are other reasons to avoid accountability (such as the potential loss of NSA funds if participation goals are not met).

Applicable Provisions of FNS Regulations
WIC regulations establish a general responsibility for State and local agencies to maintain efficient and effective operations of the WIC Program. Specific oversight requirements include the following:

- The State agency must establish and disseminate a procedures manual for local operations.

- The State agency must periodically review local agency qualifications.

- Agreements with local agencies must ensure adequate staffing, compliance with non-discrimination provisions, proper accounting for Program funds, and documentation of certification criteria.

- The State agency must establish processes for civil rights complaints and fair hearings for participants subject to Program sanctions.

- State agency financial management systems must provide for disclosure of expenditures, internal control, records of expenditures, identification of obligated funds, and reconciliation of food instruments.

- Local agency financial management procedures must be consistent with Program regulations and guidelines, and expenditures must follow rules governing allowable costs.

- State agencies must establish management evaluation systems including monitoring of local agency operations, review of participation and financial reporting, development of corrective action plans to resolve deficiencies, monitoring of the implementation of corrective action plans, and on-site reviews of clinic operations.

- State agencies must evaluate the following areas of local agency operations: management, certification, nutrition education, participant services, civil rights compliance, accountability, financial management systems, and food delivery.

- On-site reviews must be conducted in each local agency at least every 2 years, with site visits to at least 20 percent of clinics in each local agency (or one clinic, whichever is greater).

- State and local agencies must have regular independent audits.

Data on Management and Oversight Practices
Table 6–1 presents data from FNS and GAO sources on the prevalence of basic management and oversight practices to prevent and detect fraud in the WIC Program, as of 1998. These data indicate the following patterns:

- Widespread practices include: conflict-of-interest policies regarding WIC employees as participants, review of employee activities by local supervisors, reporting of suspected employee fraud to the State agency, and separation of duties between certification and issuance.

- Additional practices used by a third of agencies or more include: personality assessments or background checks for new hires; evaluations of more local agencies than required by FNS; unannounced visits to clinics by local supervisors; and fraud and abuse awareness training for local employees.

- About a third (32 percent) of State agencies report that disciplinary action has been taken against one or more employees for fraud.

- Statistical methods to detect employee fraud, such as reports identifying clinics with an unusually high rate of multiple births, are used in only 13 percent of State agencies.

Table 6–1—Background statistics on management and oversight practices

Management/oversight practice	Percent of State agencies (including ITOs)
Conflict-of-interest policy regarding employees as participants	70
Use of personality assessment or background check for new hires	35
Evaluations of more local agencies than required by FNS	35[a]
Disciplinary action taken against employee for fraud	32
Use of a statistical method to detect employee fraud	13
	Percent of local agencies[b]
Supervisory reviews of local employee activities	93
Requirement for employees to report suspected employee fraud to State agency	69
Separation of duties between certification and issuance	68
Unannounced visits to clinics by local agency manager/supervisor	47
Fraud and abuse awareness training provided to employees	45

Sources: [a]U.S. General Accounting Office (GAO), *Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*, p. 42; percentage is for States only.
[b] GAO ibid., p. 46; taken from a survey of 500 local agencies.
All other data: USDA, Food and Nutrition Service, *National State Agency Program Integrity Profile, 1998*. Responses were from 52 State agencies and 25 ITOs.

To the extent that the increased emphasis on program integrity in recent years has led State agencies to adopt more aggressive strategies, these figures may understate the current prevalence of some practices. Also, as discussed later in this chapter, State agencies that do not have formal statistical methods to detect employee fraud may use routine management reports for this purpose.

6.2 Overview of Management and Oversight Controls

The management and oversight controls available to State and local WIC agencies for preventing, detecting, and responding to fraud include the following:

- screening of applicants for employment
- conflict-of-interest disclosures
- employee training

- local agency supervision and quality assurance
- management evaluation systems
- financial audits
- investigations of employee fraud

Table 6–2 summarizes the requirements and basic and enhanced controls in these areas, identifying the key advantages of the enhanced controls and, where appropriate, important cautions or other considerations related to them. Where no specific requirement is indicated, the basic and enhanced controls are needed to fulfill the general responsibilities of the State and local agencies for the efficient and effective operation of the WIC Program in compliance with applicable laws and regulations. The remainder of the chapter discusses the basic and enhanced controls in more detail.

Table 6–2—Requirements and controls for oversight of employees and local agencies

Requirements and basic controls	Enhanced controls	Comments on enhanced controls
Basic control: Determine job applicants' qualifications through application forms, interviews, and reference checks	Use of centralized local agency personnel office to solicit and screen applications	Assures fairness and consistency in screening; provides available pool of applicants; may be required in public agencies; also feasible or mandatory in multi-purpose or multi-site local agencies
	Employees recruited from the community to be served by the clinic	Promotes communications with community and awareness of unusual behavior by participants; recruiting must be consistent with applicable laws and regulations
	Multiple staff participating in interviews with applicants	Improves reliability and reduces likelihood of bias compared with single interview; requires modest increase in staff time
	Informal/formal testing of job-related skills and ethics	Provides direct evidence of qualifications; requires staff time and procedures to assure objectivity; may be mandatory
	Criminal or motor vehicle record checks	May identify high-risk applicants, but adds cost and has uncertain predictive value; may be mandated by law or accreditation standards
Requirement: Ensure that no conflict of interest exists between local agency staff and vendors under their jurisdiction		
Basic control: Vendor disclosure of conflict of interest on application	Employee disclosure of financial relationship to vendor	Supplements vendor disclosure and detects under-reporting; requires regular process to obtain and review employee disclosures
Basic control: Policy preventing employees from certifying or issuing	Extension of policy to family of employees	Prevents collusion

Requirements and basic controls	Enhanced controls	Comments on enhanced controls
benefits to themselves or their children as participants	Requiring employees who participate in WIC to be certified by a supervisor or local director	Prevents collusion, protect privacy, promote high standard of integrity
	Limiting access to files of employee-participants	Protects privacy and prevents manipulation of records; MIS restrictions require programming
	Enhanced income documentation for employees	Provides a higher standard of integrity; requires more documentation and monitoring
Basic control: Local agencies provide in-service and on-the-job training to meet State agency expectations	State agency develops materials	Promotes fraud control agenda and quality of training; least costly approach
	State agency organizes conferences or includes training in existing conferences	Promotes awareness and information-sharing; most efficient way to provide direct training
	State agency provides training on fraud prevention and detection at local agencies or at central facility	Enhances consistency and depth of training, promotes fraud control agenda, responds to problems identified through management evaluation system; most costly alternative
Basic control: Routine supervision of local personnel through observation, staff meetings and performance reviews	Supervisors encouraged to make fraud awareness a priority	Need to balance with other priorities, may require increasing level of supervisory staffing
	Specialized supervision for clinical and support staff	Different background and focus needed for overseeing different jobs; difficult to provide in small agencies
	Unannounced visits to clinics by local agency managers	Discourages complacency and identifies problems faster; need to address potential impact on morale
Basic control: Local supervisors monitor program activity reports and review participant records on ad hoc basis	Regular review of records for participants certified at dispersed locations	Limited supervision of staff at dispersed locations increases risk of employee fraud in certification; increases or diverts supervisors' effort
	Periodic reviews of random sample of participant records with standard checklist	Systematic procedures increase reliability and comparability of results; small effort to develop and implement
	Peer review of samples of case records	Promotes education, communication and empowerment; can be done in context of in-service training to minimize time away from participant service
	Summarize and discuss patterns found in reviews of reports and records	Provides feedback crucial to continuous improvement; small effort for supervisors

Requirements and basic controls	Enhanced controls	Comments on enhanced controls
Requirement: State agency must set qualifications for local agencies, establish agreements, and periodically review agreements		
Basic control: State agency meets WIC requirement.	Use of quantitative performance standards for corrective action and renewal of agreements	Provides clear expectations and objective basis for action against underperforming agencies; requires quantitative performance data
	Setting high standards for performance in fraud-related areas	Promotes fraud awareness and attention to procedures; may require local agencies to devote extra resources to fraud prevention and detection
Requirement: State agency must establish management evaluation system.		
Basic controls: State agency reviews mandatory reports on certification, issuance, redemption, and financial status	Ad hoc capability to analyze suspicious or problematic patterns in MIS data	Routine reports may conceal more complex patterns of fraud; requires capability to query MIS data as well as staff time to analyze results
	Define and use regular fraud indicator reports	Regular reports are a more efficient and reliable way to monitor known fraud indicators; requires MIS capability and processing time
Requirement: Biannual comprehensive management evaluation review of local agencies including 20- percent sample of clinics		
Basic control: Conduct minimum required number of reviews of management, certification, nutrition education, participant services, civil rights compliance, accountability, financial management systems, and food delivery.	Annual reviews of local agencies or local agency self-reviews in years between State reviews	Annual cycle enhances attention to compliance and identifies problems more quickly; annual reviews by State agency double the effort for this function
	Participant record reviews of statistically valid sample with standardized protocol	Ensures reliable, defensible, and objective results; requires sampling procedure and tabulation of results
	Multi-disciplinary teams conduct reviews	Applies perspectives of clinical and administrative experts; minimal impact on level of effort if work is divided among team members
	Computerized review protocols and report generation	Facilitates analysis, cross-site comparisons, and prompt feedback, while reducing reporting effort; requires modest development effort and use of laptop computers
	Specialized reviews on fraud prevention and detection procedures by program integrity staff	Promotes communication and provides technical assistance before problems develop; requires specialized staff, and increases overall review costs
Requirement: Develop corrective action plans to resolve deficiencies, monitor implementation of corrective action plans		

Requirements and basic controls	Enhanced controls	Comments on enhanced controls
Basic control: Comply with requirement	Use of quantitative standards to set thresholds for corrective action	Provides objective and clear standards with automatic consequences; requires quantitative data
	Followup visits to monitor progress in implementing corrective action	Provides opportunity for technical assistance and encouragement; requires State agency staff time
Requirement: Regular organization-wide financial audits of local agencies		
Basic control: Regular financial audits validate financial and participation reports, review documentation and financial controls	In-depth review of issuance documentation	Provides scrutiny of key area of financial vulnerability; requires auditor training/related experience
	Comparison of payroll with time sheets	Provides check on main element of administrative cost; can be done on sample basis for large agencies
	Review of purchase justification and approvals	Assures that purchases are allowable and properly authorized; can be done on sample basis for large agencies
Requirement: Process to receive and investigate complaints of employee fraud		
Investigate evidence of employee fraud reported by complaint forms submitted to the State or local director, or a toll-free number at the State agency	Secure channel for complaints against employees	Assures confidentiality and integrity of complaint process; may require extra telephone line
	Specialized staff in WIC integrity unit or internal auditors conduct employee investigations	Assures objectivity and capability to gather needed evidence; requires specialized staff
	Use of data warehouse to identify or confirm suspicious activity	Provides less visible, more efficient scrutiny than manual review of files; may require substantial MIS development and data storage
	Cooperation of police and prosecutors enlisted for criminal cases	Requires early effort to establish relationship; assures legal resources are available
	Clear guidelines for sanctions against employee fraud and abuse	Ensures proportionate, effective, defensible response to different types of fraud and abuse
	Feedback to managers and staff on lessons learned	Emphasizes priority of fraud control by reviewing successful investigations and sanctions; can disseminate information via newsletters or bulletins

6.3 Personnel Management Practices

Personnel management practices useful in promoting program integrity include: specifying qualifications for key positions, screening applicants for employment, addressing potential conflicts of interest, and training employees. These are important elements in local agencies' fraud-control strategies because of the importance of employee integrity. Clinic personnel must

be entrusted to make sure that applicants are eligible, to issue benefits accurately and securely, to safeguard other program assets, and to maintain the confidentiality and integrity of participant records. The integrity of employees is perhaps more critical in small clinic settings than elsewhere, because employees have broader duties and sometimes operate in dispersed locations with less supervision. Moreover, employees committed to program integrity can strengthen fraud control systems and procedures through the application of judgment, experience, and access to community information sources.

In the WIC Program, personnel management procedures must fit with the realities of WIC Program administration. Funding constraints may make it difficult to offer competitive salaries and therefore limit the pool of potential applicants. Where the job market is strong, turnover among clerical employees can be high. Clinics in rural areas sometimes have difficulty attracting nutritionists and other professionals, particularly when the caseload is too small to support a full-time position. These challenges are offset, however, by the attractiveness of the Program's goals, which elicit a high degree of commitment from employees.

Screening of Applicants for Employment
When hiring new staff, local agencies need to screen applicants to determine their qualifications, suitability, and integrity. The hiring process and, therefore, the available screening mechanisms depend in part on the nature and structure of the local agency. If a State or county agency operates the local WIC Program, civil service procedures typically govern the process, and applicants receive some screening from a centralized personnel office. Large nonprofit organizations also tend to have formalized application procedures administered by centralized personnel offices, although the personnel office may have minimal involvement until after applicants have been screened and recommended for employment by the local WIC director.

The involvement of a centralized personnel office entails some additional costs, but it can help to assure an available pool of applicants and a fair, consistent hiring process. Small organizations may have less formal hiring processes, but they are more likely to have strong informal networks of communication available both to recruit good candidates and to identify potentially risky applicants.

Both program integrity and customer service can be enhanced by recruiting employees from the community to be served by the clinic, particularly when the community is an ethnic or linguistic minority. From the perspective of program integrity, this practice promotes communications with the community, not only because staff members speak the community's language but also because they are part of the social network. Familiarity with community norms helps staff identify unusual behavior by participants and promotes cultural sensitivity. Recruiting from a specific community must be conducted in a manner consistent with applicable laws and regulations, to protect the civil rights of actual and potential applicants.

The basic tools for screening applicants are: review of application forms and other documentation provided by applicants, interviews with applicants, and reference checks to verify prior employment and work performance. Applications and related documentation are necessary and help to screen out clearly unqualified applicants, but these sources alone are not likely to

identify integrity risks. Reference checks can be helpful if the source is candid, but many employers provide only the most basic information about their ex-employees. Nevertheless, the requirement to provide references may deter some potential job applicants with poor work histories.

Thus, interviews with applicants are a critical source of information. Local WIC agencies can use several techniques to enhance the effectiveness of the interview process:

- Involve multiple employees in the interview process, including both supervisors and peers, to provide different perspectives.

- Observe the applicant's performance of simulated tasks involving job skills (e.g., greeting participants or filing records).

- Probe the applicant's ethical standards by asking for responses to hypothetical problems (e.g., observing a co-worker napping on the job).

These techniques may modestly increase the level of effort devoted to the interview process, but the one-time cost is likely to be offset by the ongoing payoff of more dependable employees. Local agencies can use a variety of additional controls to enhance the integrity of the hiring process, including the following options:

- Applicants' job-related skills (such as data entry) can be formally tested in civil service examinations or similar procedures.

- Checks can be performed by the local agency or a service provider to determine if an applicant has a criminal record or a history of motor vehicle violations.

- Applicants can be tested for use of illegal drugs.

These mechanisms must be legally permissible and defensible as nondiscriminatory grounds for rejecting applicants. They also entail extra time and, potentially, financial costs to the local agency, although the costs can be minimized by limiting these measures to the final candidates after more basic screening has been completed. Large public or private organizations are more likely to have the resources to make use of these screening procedures; some are required to do so by law or by accreditation bodies. Anecdotal evidence from WIC agencies suggests that few applicants are identified as high-risk by background checks or drug tests, but the deterrent effect is hard to quantify.

Conflict of Interest
WIC employees may have a variety of relationships that could conflict with their duties and ethical responsibilities as Program representatives. Potential conflicts of interest include:

- employees with personal or financial interests in stores serving as WIC vendors
- employees as WIC participants

- employees' friends or relatives as WIC participants.

When an employee has an ownership share of a store redeeming WIC benefits (or otherwise has an interest in such a store), there are two potential risks. The employee may assist the vendor in perpetrating or concealing fraud, or the vendor may assist the employee to redeem stolen benefits. Because of these risks, a basic control is for vendors to report any business relationships with WIC employees. Another basic control is to minimize the role of local WIC employees in vendor authorization and monitoring. An enhanced control is to require all WIC employees to submit a statement regarding any conflict of interest with a WIC vendor, preferably on an annual basis.

As noted earlier in this chapter, most State agencies have policies regarding the participation of employees in the WIC Program. At a minimum, these policies prohibit employees from certifying themselves (or their children) or issuing their own benefits.

A common challenge for many local agencies arises when participants are relatives or friends of employees. The separation of duties may reduce the risk of fraud in such instances, but additional checks are needed. The basic control is for the employee to disclose any such relationship to a supervisor. If possible, having the relative or friend receive services from another staff member will further reduce the risk of fraud.

Other enhanced controls to prevent fraud and abuse when employees are participants include:

- requiring employees who participate in WIC to have their eligibility determined by a supervisor or local director

- placing special restrictions on access to the electronic and physical files of employee-participants, so that only supervisors can view or change these records

- requiring employees to report income more frequently than other participants (even monthly)

- keeping copies of income documentation for employee-participants even if such documentation is not maintained for other participants.

These enhanced controls have several advantages. They prevent collusion among front-line staff in certifying each other or manipulating records to facilitate fraud, and they promote a higher standard of integrity for the certification of employee-participants. At the same time, restrictions on access to employees' certification records provide greater assurances of confidentiality. These restrictions do increase supervision costs, however, and MIS restrictions require programming, but the costs are modest relative to the potential monetary and non-monetary costs of employee fraud.

Employee Training

Employee training is a vital way of ensuring that sound procedures for WIC fraud prevention and detection are followed. Effective training can enhance the capability of employees to serve as the "eyes and ears" of the Program, both on the job and in the community. Turnover is common among line employees, particularly clerical and paraprofessional positions, so training for new employees is regularly needed. When new procedures are introduced, all employees need to be trained to follow the procedures and to cope with problems that may arise.

Training also helps promote continual improvement in program integrity and quality. WIC agencies can promote the retention of experienced, trustworthy employees by offering training to assume increased responsibilities, such as training for clerical staff to be certified as nutrition assistants. WIC agencies use a variety of training models:

- As a basic practice, State agencies establish expectations for local agencies, and the local agencies train their employees in-house.

- At the local level, training can be done as part of staff meetings, on the job, or in more structured classroom settings.

- Many State agencies develop training materials for local agency use.

- Many State agencies also hold conferences for local agencies. In addition to presentations by State agency personnel, these conferences may include peer-to-peer discussions of challenges and best practices.

- Some State agencies go further and directly provide training for local agency employees, either at a centralized location or on-site at local agencies.

- A few State agencies operate training facilities on their own or through contracts with other organizations. These facilities are particularly useful for more extensive, structured training, such as preparing employees for certification as paraprofessionals.

- Where clinics are operated directly by the State agency, all training is an internal function directed by the agency's management.

Greater State agency involvement in training offers several advantages. The more active the State agency's role, the more consistent the training will be. The State agency has more control over the agenda for training if it creates materials or, better yet, provides the training. If the State agency commits its resources to training, it heightens the importance of the training. For the dissemination of new policies or new MIS capabilities, State agency officials may be the only ones qualified to provide the training, at least when training local agency managers or trainers. A more active role in training does, of course, entail a cost to the State agency that must be balanced with other program needs.

The GAO survey of local agencies found that many, but not most, local agencies emphasize fraud awareness in their training for employees. This type of training complements the more basic training in specific procedures that are intended to prevent or detect fraud. Where employees do not frequently encounter signs of attempted fraud, training that explicitly promotes fraud awareness can be especially helpful to put them on their guard and encourage them to report suspicious situations. Training focused on the types of fraud that may occur is helpful to focus employees on the questions to ask and the signs to look for.

6.4 Local Agency Supervision and Quality Assurance

Supervision within the local agency is the first line of oversight to assure that employees follow procedures designed to maintain program integrity and to detect evidence of possible employee fraud. As indicated by the GAO survey, nearly all local agencies provide this type of supervision. Common mechanisms for supervisor oversight and feedback include: reviewing daily and monthly reports on certification, issuance, and other activities; verifying inventories of food instruments and other valuable items; reviewing procedures and issues in regular staff meetings; observing employees in the performance of their duties; providing one-on-one guidance; and reviewing employees' job performance.

One of the challenges for State and local WIC managers is to ensure that fraud control is an explicit priority for clinic supervisors. These officials have responsibility for promoting the broad array of program goals, including not only fraud control but also accurate nutritional assessment, effective nutrition education, high-quality customer service, and efficient use of program resources. Particularly when clinic supervisors' training and careers focus on nutrition and customer service, they may need to be reminded periodically of the need to include fraud issues in their oversight. Another solution feasible in larger agencies is to have two specialized lines of supervision: one for nutritionists, focused on clinical standards, and the other for support staff, more focused on administrative procedures and accountability for benefits.

Regularly scheduled reviews of participant records and other documentation provide an enhanced control to ensure the integrity and quality of clinic operations. An effective review requires a comprehensive checklist to determine the completeness, accuracy and appropriateness of certification, issuance, nutrition education, and other services. These reviews can be conducted in a variety of ways:

- Local agency supervisors who work with a dispersed staff (i.e., satellite sites without regular on-site supervision) can perform a record review on participant records as files return to a central storage location.

- The clinic director or a designated supervisor can review a random sample of records each month, examining the documentation of certification, nutrition education and other and participant services.

- Record reviews can be conducted by peers on a rotating basis, both as a quality control and as a way of promoting communication and empowerment.

- In a multi-site agency, an itinerant supervisor or designated quality management reviewer can make periodic visits to each site to observe operations and review records. Unannounced visits are more effective at identifying lapses in documentation and file maintenance. A portion of these reviews can be conducted using on-line data in the MIS.

An important element in a record review system is followup. Both individual workers and the entire staff need to have feedback on issues identified through reviews. Summarizing the patterns found in record reviews and site visits requires a modest additional effort on the part of supervisors, but the potential payoff in process improvement is substantial. Electronic mail and other automation tools can facilitate this process.

6.5 State Agency Oversight

All State WIC agencies are responsible for setting qualifications for local agencies, selecting local agencies, periodically reviewing their qualifications, and maintaining management evaluation systems. These oversight mechanisms are intended to assure that local agencies are financially viable, adequately staffed and equipped, in compliance with Federal and State requirements, and providing effective, efficient services. State agency oversight helps to ensure that required fraud controls are in place and to identify breakdowns in these controls.

Local Agency Selection and Review of Qualifications
As a basic control, consistent with WIC requirements, State agencies establish procedures and criteria for selecting local agencies, and they periodically review the qualifications of the local agencies. The selection and review processes need to address many program requirements, including the agency's history of performance and integrity in administering WIC and other programs. If the State agency delegates some responsibility for policy and procedures to local agencies, the State agency needs to review these procedures to make sure they are adequate and up to date.

The periodic review of qualifications provides an enhanced control if it is based on clear and quantifiable performance standards, drawing on the results of management evaluation reviews and other inputs. Key areas for performance standards related to fraud include: accuracy in determining income eligibility, complete documentation with necessary signatures for certifications, signatures obtained for benefits issued, accurate inventory records for food instruments and formula, and conflict-of-interest statements signed by employees. Performance standards are most effective if they are incorporated in local agency agreements and applied when agreements are due for renewal. Quantified performance standards, such as a certain minimum percentage of issuances with proper signatures, establish clear expectations, but they require quantitative data from operational reports or standardized on-site reviews.

Reports for Monitoring Clinic Operations
MIS reports provide important tools for State agencies to monitor clinic operations. At a minimum, a State agency can usually monitor trends in certification, issuance, and redemption for each local agency and, for multi-site agencies, for each clinic through routine aggregate statistics generated by the MIS or through financial and participant reports submitted by the local

agencies. These basic reports can be used to identify unusual changes in operations that may signal either weakness in the process or employee fraud. For example, if a local agency has a sharp rise in the percentage of participants who are infants, the State would want to look closely at the agency's certification procedures and documentation. Other basic data sources for monitoring include orders for food instrument stock and food instrument reconciliation reports.

MIS reporting can be enhanced in two ways. Some State agencies use ad hoc reporting capabilities to examine patterns in the MIS data that are difficult to find in routine reports. These ad hoc queries are based on suspicion that a particular type of fraud is occurring. For example, if the State agency gets a tip that someone in a large local agency is creating phantom cases, the State might do an ad hoc query to identify participants who are always seen by the same employee, normally a rare occurrence for low-risk cases. Other State agencies identify potential fraud indicators and establish regular reports to identify instances when these indicators are present.

A wide variety of potential indicators of employee fraud can be developed through ad hoc or routine reports that identify abnormal levels of or changes in clinic-level statistics. The following are illustrative examples:

- ratio of infants to women and children participants

- number of multiple births

- proportion of participants with medical data from the same external source

- proportion of participants reporting zero income or obtaining waiver for income documentation

- proportion of participants picking up and redeeming food instruments

- proportion of participants redeeming food instruments outside their area

- proportion of participants redeeming food instruments at the same vendor.

If the capability to do ad hoc queries or to generate fraud indicator reports is built into the MIS, the ongoing cost of generating and reviewing reports is quite modest. Current technologies allow non-programmers with a small amount of training to produce such reports. Some older MIS may require substantial modification, such as the creation of a data warehouse, to permit ad hoc queries.

Management Evaluation Reviews
All State agencies are required to conduct management evaluation reviews of each local agency every 2 years, with on-site reviews of at least 20 percent of individual clinics. The mandatory topics include: staffing, certification, nutrition education, civil rights, accountability for benefits, financial management systems, and food delivery systems. The methods for these reviews

include: inspection of facilities and procedural manuals, observation of operations, and record reviews. The review typically concludes with an exit conference to present findings to the local agency management. If deficiencies are found, the State and local agency must establish a corrective action plan, and the State agency must follow up to monitor implementation.

Most State agencies take the basic approach of meeting the minimum requirements for management evaluation reviews. About 35 percent of State agencies conduct more than the required number of reviews, according to the GAO.[8] This practice increases the resources devoted to reviews, but these State agencies have determined that more frequent monitoring is worth the cost.

Additional practices to enhance the effectiveness of management evaluation reviews as a fraud control tool include:

- Requiring local agencies to perform self-assessments in the years when they do not have State reviews.

- Reviewing statistically valid samples of case records and performance indicators via the MIS prior to the on-site review, to identify problem areas.

- Limiting the amount of advance notice before conducting on-site reviews (e.g., 30 days) to minimize the amount of time for local staff to "tidy up" incomplete records.

- Reviewing all on-site documentation for a statistically valid sample of food instruments, from appointment records to certification records to issuance records.

- Reviewing inventory records and issuance reconciliation reports used by local personnel.

- Reviewing personnel records to make sure that staff are qualified and properly screened, and that payroll expenses are substantiated.

- Reviewing controls on property and expenditures to make sure that Program funds and other assets are adequately safeguarded.

- Using quantitative performance standards in reviews, such as expecting 100 percent of issuances to be documented by a signature, to make findings more objective and to set automatic thresholds for corrective action.

- Using multi-disciplinary teams to conduct reviews, including expertise in issuance, certification, and fiscal management.

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[8]U.S. General Accounting Office (GAO), *Food Assistance: Efforts to Control Fraud and Abuse in the WIC Program Can Be Strengthened*.

- Using computerized protocols to assemble and summarize the results of reviews while on-site.

- Conducting compliance visits shortly after the completion of the review and subsequently as needed to check on the implementation of corrective actions.
- Communicating problems found in management evaluation reviews to all local agencies, both as an educational tool and as an incentive to maximize compliance.

- Imposing clear, graduated sanctions for serious non-compliance, ranging from warnings and increased monitoring to probation and termination of local agencies.

Many of these enhancements entail little or no ongoing financial cost to the State agency. Quite a few require some effort to develop procedures, forms, and documentation, but these tools can be shared among State agencies to reduce development costs. The cost of associated computer applications will depend on the desired functionality and the existing environment.

Management evaluation systems in many State agencies also include participant surveys. The data collected in these surveys typically include items on accessibility and quality of services, quality and variety of authorized foods, and participant satisfaction. Although participant surveys are unlikely to identify any fraud issues, an abnormally high rate of non-response might be a basis for investigating the possibility of poorly documented or phantom participants.

Other On-Site Reviews of Local Agency Operations
Some State agencies supplement their mandatory WIC management evaluations with other types of reviews. State health departments may conduct clinical quality assurance reviews for local health centers that offer WIC and other health care programs. These reviews are similar in structure to the WIC management evaluation reviews, but they focus more on clinical practices, safety, and staff credentials.

A recent innovation is for State agency fraud investigation staff to conduct reviews dealing specifically with fraud prevention and detection practices. These reviews can be offered to local management as a diagnostic tool to identify needs for improvement through training, reorganization, or other interventions. If handled in a supportive, collegial way, this process can also open up communications between local and State staff. This enhancement is feasible when the State agency has designated staff responsible for fraud investigation, as discussed in the preceding chapter.

Audits of Local Agencies
In addition to management evaluation reviews, local agencies are also subject to mandatory financial audits, which can identify problems with the control of food instruments, payrolls, purchases, and property, or with the completeness and accuracy of financial and participation reports. Depending on the organizational structure of the State and local agencies, these audits may be conducted by the State agency's internal auditors, the State government's general auditor, or independent auditors retained by the local agency. Useful practices in local agency audits include: reviewing issuance records and reconciliation reports, reviewing employee timesheets against payroll records, and reviewing approvals and justifications for purchases with

WIC funds. These practices may entail a modest increase in audit costs, but they can substantially strengthen both the audits' ability to detect fraud and their deterrent effects.

6.6 Investigations of Employee Fraud

Although available evidence suggests that employee fraud is rare, WIC agencies need to be prepared to review and investigate evidence of employee fraud. This evidence may come from a complaint by a participant, vendor, or co-worker; from review of monitoring reports; or from evidence developed in a management evaluation review or audit.

The most basic approach is to use the same channels and procedures as are used for reporting and investigating fraud by participants: standard complaint forms submitted to the local or State agency director or calls to a toll-free number at the State agency. There are some problems with this approach:

- Participants, vendors, or fellow staff may be reluctant to make a report if they are concerned about possible retaliation by the person suspected of fraud.

- Lack of security may compromise the investigation by providing early warning to the employee.

- Employees who routinely take complaints may be unfamiliar with the special procedures needed to gather evidence for termination of employees or criminal prosecution.

- If the standard complaint procedure calls for the local agency director to review the complaint, it may be difficult for the director to be objective when a complaint involves an employee. In the case of an ITO, the local director is the State agency director, so this issue poses a particularly acute challenge.

For these reasons, some State agencies have developed the following measures to enhance the process of investigating allegations of employee fraud:

- Establishing a separate toll-free number covered by trusted staff for secure reporting of employee fraud by fellow employees

- Assigning responsibility for employee fraud investigations to specialized staff, such as a WIC integrity unit or the State agency's internal auditors

- Establishing agreements with police and prosecutors to conduct criminal investigations and prosecutions.

These enhancements require additional resources, but they are likely to have a substantial impact on the ability to investigate and prosecute employee fraud. If a State agency has established a specialized internal investigative staff or a relationship with outside investigators for

investigating participant fraud, these resources will be available for dealing with employee fraud as well.

The methods for investigating employee fraud vary according to the nature of the fraud. Available tools include: review of participant records on the MIS and in agency files; review of inventory records and other documentation of food instrument usage; analysis of user activity data on the MIS (e.g., was a worker's log-in code used when the worker was absent?); and one-to-one reconciliation of issuances. Use of some of these tools can be quite labor-intensive, but the seriousness of employee fraud is likely to justify the effort.

An MIS that provides a comprehensive audit trail of each worker's activity facilitates investigations by minimizing the intrusiveness of the investigation. An MIS with ad hoc reporting capabilities enables the systematic analysis of patterns of activity. A data warehouse further enhances investigative capabilities, because such resources provide access to more data than would normally be kept in a production database.

State agencies need clear and consistently applied policies regarding punitive action against employees found to have abused or defrauded the WIC Program. The available options are: counseling, probation, termination, and prosecution. The State's policies need to provide a clear basis for determining which action is appropriate for a given instance of fraud or abuse. At the same time, policies need to provide the flexibility to address unique circumstances. States also need to recognize the limitations on their ability to impose sanctions. Employees suspected of fraud may resign before being terminated, or prosecutors may not have the resources to undertake the prosecution of employee fraud cases.

Lastly, State agencies need to have mechanisms to learn from instances of employee fraud. Effective State agencies use these experiences to revise procedures, to develop new or enhanced monitoring tools, and to educate managers and staff members about the problems identified.